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ABSTRACT

Federally mandated social programs that apply to colleges and universities because they are treated as business entities are covered in this report. These programs have contributed to the continually increasing operating costs of colleges and universities over the last decade. This study aims at providing quantified examples of these cost increases and at understanding their impact on the financial condition of academic institutions. The programs of federal social legislation covered include: equal employment opportunity, equal pay, affirmative action, age discrimination, wage and hour standards, unemployment compensation, social security tax increases, health maintenance organizations, retirement benefits, wage and salary controls, occupational safety and health, and environmental protection. Implementation efforts from 1965 to 1975 are reported for six institutions: University of Illinois-Urbana, Miami-Dade Junior College, Duke University, Georgetown University, Hampton Institute, and College of Wooster. The results of this study suggest that implementing federal policies regarding social justice, manpower, science, defense, and taxation has a far greater financial impact on higher education than does any explicit and coherent federal policy in support of higher education. Some of the effects are intended, some unintended, and some scarcely recognized. (LBH)

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POLICY ANALYSIS SERVICE SPECIAL REPORT

JUNE 1976

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AMERICAN COUNCIL ON EDUCATION • WASHINGTON, D.C.

THE COSTS OF IMPLEMENTING FEDERALLY MANDATED SOCIAL PROGRAMS AT COLLEGES AND UNIVERSITIES

Report of a Study by

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Policy Analysis Service — Special Report
June 1976

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American Council on Education

Roger W. Heyns, President

The American Council on Education, founded in 1918 and composed of institutions of higher education and national and regional associations, is the nation's major coordinating body for postsecondary education. Through voluntary and cooperative action, the Council provides comprehensive leadership for improving educational standards, policies, and procedures.

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Foreword

The American Council on Education is committed to the objectives of the federally mandated social programs covered in this study. The assessment of the monetary costs to colleges and universities of implementing these programs was undertaken to stimulate discussion of how these costs may be met or reduced while at the same time the desired program objectives are achieved. Another issue for discussion is whether these costs are being borne equitably by the various sources of support for higher education.

Social accounting is still in its infancy. Consequently, this study is methodologically confined to quantifying the costs of the social programs to six academic institutions. It does not attempt to consider the benefits of the programs. To identify the rapid growth of implementation costs, however, does not imply criticism of the objectives of these laws; rather it provides a basis for suggesting that improvements are needed—based on fuller consultation between Congress, the federal agencies, and the higher education community—in drafting the legislation and in designing the implementation activities to achieve those objectives.

Roger W. Heyns
President
American Council on Education

Federally Mandated Social Programs Included in the Study

- **Equal Employment Opportunity**
  Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972

- **Equal Pay**
  Equal Pay Act of 1963

- **Affirmative Action**
  Executive Order 11246, issued in 1965, as amended by Executive Order 11375 to include discrimination on basis of sex, 1967

- **Age Discrimination**
  Employment Act of 1967, as amended

- **Wage and Hour Standards**
  Fair Labor Standards Act (FLSA) of 1938, as amended

- **Unemployment Compensation**
  Social Security Act of 1935; Employment Security Amendments, 1970

- **Social Security Tax Increases**
  Social Security Act of 1935; Employment Security Amendments, 1970

- **Health Maintenance Organizations (HMOs)**
  Health Maintenance Organization Act of 1973

- **Retirement Benefits**
  Employment Retirement Income Security Act (ERISA) of 1974
  (Note: Public institutions excluded)

- **Wage and Salary Controls**
  Economic Stabilization Act of 1970
  (Note: Public institutions excluded; nonprofit institutions exempted January 25, 1974.)

- **Occupational Safety and Health**
  Occupational Safety and Health (OSHA) of 1970

- **Environmental Protection**
  Regulations implemented under several laws by the Environmental Protection Agency

Highlights

This study covers those federally mandated social programs that apply to colleges and universities because they are treated as business entities; it does not extend to those programs directed at educational institutions as such. The programs included are only a small part of the mass of legislation—federal, state, and local—that affects higher education. The study was carried out in cooperation with six Task Force institutions, and the conclusions below relate specifically to them.

- In 1974-75, the costs to the individual institutions of implementing these federal programs were small (1-4 percent) relative to total institutional operating budgets but large relative to income from endowment and gifts, to the deficits suffered by some institutions in recent years, and to the budgets of some academic departments that face extinction because of shifts in institutional budget priorities.
- As new mandated programs were added over the 1965-75 decade, the costs increased considerably faster than increases in instructional costs or in total revenues. Thus, to cover these mandated costs, institutions have had either to generate added revenues or to cut expenditures.
- Administering these federal programs is itself costly, having increased over the decade from a negligible share to as much as one-eighth to one-fourth of general administrative costs.
- By far the greatest cost increases result from increases in social security taxes: i.e., taxes on employment. Inasmuch as colleges and universities are highly labor-intensive, employment taxes fall especially heavily on them. Thus, the value of the tax exemption conferred on academic institutions because of their nonprofit status—an exemption that generally applies to taxes on income, property, and sales, but not to taxes on employment—is vitiated.
- These programs have contributed substantially to the instability of costs at the Task Force institutions from year to year and thus have compounded their difficulties in financial management and budget balancing.

In addition, the study suggests the following hypotheses, which need to be tested with a larger sample:

- The cost impact of the programs differs by size and type of institution, being most severe for highly "visible" (i.e., large and prestigious) institutions and for private institutions.
- Because a large part of the mandated costs are related to employment, and because academic institutions are more labor-intensive than are most manufacturing and many service enterprises, the cost impact of the programs may be greater on them than on many profit-oriented industrial firms. In addition, colleges and universities have less flexibility in raising prices and reducing other expenditures to generate funds to cover the mandated costs, all of which must be met out of current institutional budgets.

Federal policies relating to social justice, manpower, science, defense, and taxation may have a far greater financial impact on higher education than does any explicit and coherent federal policy in support of higher education.

Task Force

We are grateful to the many staff members at each Task Force institution who provided the information and insights on which the study is based. The staff persons responsible for organizing their institution's efforts were:

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ACE staff made indispensable contributions to the study: Cathy Henderson and Steve Downs rechecked all the computations. Laura Kent incorporated the comments of the reviewers and edited the final text. Constance Falwell provided secretarial support throughout the project.

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Why ACE Undertook the Study

The operating costs of colleges and universities have increased over the last decade far faster than has the general price level. When colleges and universities have attempted, even drastically, to cut costs to surmount financial exigencies, they found that costs continued to climb, even during recessions. Part of the increases are attributable to the added costs of implementing an ever-growing number of federally mandated social programs. The purpose of this study is to provide quantified examples of these cost increases and to reach a better understanding of their impact on the financial condition of academic institutions.

Legislation and executive orders pursuant to legislation have been promulgated since 1965 in at least twelve areas of social concern: equal employment opportunity, equal pay, affirmative action, age discrimination, fair labor standards, unemployment compensation, social security, health benefits, pension benefits, wage and salary controls, occupational safety and health, and environmental protection. These federal programs, all of which are directed toward valued social goals, apply to colleges and universities because the institutions are treated as business entities and not because they are singled out as educational institutions. It should be emphasized that the federal programs covered by this study represent only a small part of the mass of legislation—federal, state, and local—that affects higher education.

Several of the programs (notably social security, unemployment compensation, and pension benefits) are generally viewed by managers of academic institutions as part of the ordinary income and fringe benefits paid to staff members; these programs, regardless of increased dollar outlays, involve practically no additional administrative burdens. In contrast, other programs (notably those relating to equitable treatment of employees and to occupational safety and environmental protection standards) involve the costs of administering the programs on campus as well as the costs of the programs themselves. Since our intention was to identify those cost increases resulting from federal activity, not merely those associated with government "intervention" in the administration of academic institutions, both types of programs have been included in the study.[1]

All these programs involve costs that are not explicitly recognized or provided for by any of the sources of financial support for institutions of higher education. These costs include increased administrative and legal expenses, increased wages and benefits to employees, additional tax contributions, physical plant investments, and increased operating expenses.

[1]Three of the twenty-four advisors to the study objected vigorously to the inclusion of both types of programs in the analyses. The points at issue were, for instance, whether social security contributions are more closely related to private pensions or to public taxes and whether equivalent programs would be part of the employment package in the absence of federal action. The aggregate cost increases, with and without increases in social security contributions, are shown in Exhibits 1.4 and 1.5. Because of our interest in arriving at a more comprehensive explanation of operating cost increases, both kinds of programs are included.

A number of institutions had developed rough estimates of their own costs of complying with particular pieces of legislation, but many college administrators and public policy analysts began to perceive a need to assess their aggregate costs of implementing all federally mandated social programs. Then, in November 1974, the Senate Subcommittee on Education, chaired by Senator Pell, held hearings at which a panel of college presidents testified on the financial condition of academic institutions. Pointed inquiry by the subcommittee focused attention on the mounting costs of federally mandated programs, underscoring the need for the higher education community to provide comprehensive information about the nature and magnitude of these costs. Careful documentation was deemed essential to determine whether any public policy response was called for.

This study has two purposes: first, broadly, to contribute to a more complete explanation of cost increases and inflation in higher education; and second, specifically, to explore the feasibility of ascertaining more precisely the costs to colleges and universities of implementing these social programs. The results are intended to prove useful as gross indicators of:

1. The aggregate amounts expended by selected institutions in complying with particular federally mandated social programs;
2. The relative costs of implementing different types of programs; and
3. Future trends in program costs.

The study was financed by the American Council on Education and by the six institutions participating in the research. The total cost to ACE was $14,500, including payment of $1,000 to each of the six participating institutions to partially offset the $2,000-$5,000 in costs which they incurred, mostly in staff time, in carrying out the study. The Task Force got under way in January 1975, and data were collected, checked, and analyzed by June 1975. The results of the analysis were synthesized by the ACE study staff from June to September 1975 and reviewed by the advisors from September to December 1975.

This report summarizes the findings.

How the Study Was Done

Two different approaches to the study were considered: either an extensive survey of institutions, using a form questionnaire; or an intensive investigation by a small task force, emphasizing the definition and measurement of costs, and the quality of the data collected.

Because this study—the first of its kind in higher education—required considerable conceptual work at the outset, we judged that close collaboration with a few institutions would produce far more usable information than would a large-scale survey; moreover, such work could provide a more solid basis for any subsequent broad survey on more narrowly defined topics.

Another reason for choosing the task force approach was that implementation of the federal programs might well be carried out in different ways at different institutions with different administrative units operating along different jurisdictional lines. Relying only on reports of total institutional data would make it difficult to determine whether those data were comparable from institution to institution and would limit our understanding of the activities undertaken by institutions to implement the programs. Consequently, to assist in the development of concepts and to generate information as nearly comparable as possible across the six institutions, it was deemed necessary to obtain extremely detailed data.

Advisors

Twenty-four advisors to the study were chosen for their knowledge of higher education management, finance, cost accounting, actual cost data, and employment practices, as well as for their insights into the issues involved. Over the period March through December 1975, they provided comments, by mail and telephone, on the plans for the study, the survey instrument, and the draft of the final report. Their specialized abilities and rigorous reviews made a major contribution to the study. Their names appear at the front of the report.

Task Force Institutions

To assemble a reasonably typical group of colleges and universities, the six Task Force institutions were selected on the basis of the following criteria:

1. Type and control;
2. Geographic location (constrained by considerations of travel costs);
3. Financial condition: apparently not in unusual financial distress;
4. Availability of cost data, including historical data, and experience with sophisticated data collection techniques;
5. Awareness of and commitment to the objectives of the selected programs.

Table 1 identifies the six institutions.

Table 1
Task Force Institutions

	Institution	Control and Type	Highest Degree Offered	Enrollment* 1974-75	Expenditures 1974-75	Region
I	University of Illinois, Urbana, Illinois	State university	Doctorate	33,000	$213,000,000	Midwest
II	Miami-Dade Junior College, Miami, Florida	Community college	Associate or equivalent	23,000	44,000,000	South
III	Duke University, Durham, North Carolina	Private university with hospital	Doctorate	8,000	160,000,000	South
IV	Georgetown University, Washington, D.C.	Private university with hospital	Doctorate	10,000	86,000,000	Mideast
V	Hampton Institute, Hampton, Virginia	Private comprehensive college	Master's	3,000	12,500,000	South
VI	College of Wooster, Wooster, Ohio	Private liberal arts college	Master's	2,000	10,500,000	Midwest

*Full-time equivalent enrollment

Two of the institutions, the private universities, have teaching hospitals. Because these hospitals are integral to the educational enterprise, the program costs associated with them have been included in the costs reported in this study. Increased hospital costs are generally offset by increased hospital charges, which are in turn reimbursed, at least partially, by increased payments under federal and state medical insurance programs. Under ordinary conditions, at neither institution do the costs of providing hospital care affect the budgets relating to health and medical education. Legally, however, the hospital and the educational enterprise are a single entity, and those hospital costs could potentially affect the overall educational budgets at the two institutions.

Scope of the Study

As was pointed out earlier, this study attempts to estimate the overall costs of implementing federally mandated social programs, with the intention of demonstrating their impact on total institutional expenditures. For the purposes of these cost estimates, the implementation activities of the six Task Force institutions may be generally characterized as undertaken in good faith. The study does not attempt to ascertain the degree of compliance, even though where particular program activities are discretionary, the type and level of activity undertaken directly affect costs. On the other hand, the real outcomes of program efforts are not necessarily directly related to the dollars expended.

This is not a cost-benefit study. Rather it focuses exclusively on the costs of the programs. In many cases, substantial benefits flow from the programs to the institutions, to their employees, and to their students. These benefits may justify the costs of the programs, but they do not offset them; they are not translated into revenues to cover costs.

And this is not a study of the cost-effectiveness of the various programs in which the costs of different ways to achieve program objectives would be compared. Consequently, no recommendations are being made on the basis of this analysis with respect to the substance of the programs or the procedures for carrying them out.

To repeat, the purposes of this study are to identify the costs of these programs and to stimulate discussion of how institutions can best meet these costs, or cut these costs while achieving the desired program objectives.

Period Covered by the Study

The period examined in this study is the ten years from 1965 to 1975, which covers the two business recessions in 1970-71 and 1974-75. Because enactment of new federal social legislation accelerated rapidly in the late 1960s and early 1970s, information had to be collected over a period beginning as early as 1965 in order to establish at least a rough baseline for identifying incremental costs. Attempts were made to collect data for the entire decade because cost comparisons at a single point in time do not provide an adequate frame of reference for explaining cost increases over time.

Further, higher education is affected to a significant extent by general economic cycles, but the nature of the causal relationships is incompletely understood. Analysis of these relationships requires a base period which is sufficiently long to distinguish between the effects of longer-term trends and of shorter-term business cycles. Improved understanding will facilitate improved projections of the probable future costs of these programs.

In general, the participants in the study were able to provide better information for the years after 1970 than for the previous years. Incomplete data series may understate costs more in the earlier than in the later years of the study and thus overstate the rate of cost increase. Consequently, our estimates of the dollar costs of the mandated programs are more conservative than are our estimates of the rates of cost increases.

Legislation Covered by the Study

A basic list of the federal laws and regulations enacted during the last decade that affect colleges and universities or that were amended to include them was developed in interviews with academic administrators and legal counsel. The cost study covers the following program areas of federal social legislation affecting higher education institutions:

- **Equal employment opportunity:** Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972
- **Equal pay:** Equal Pay Act of 1963
- **Affirmative action:** Executive Order 11246, issued in 1965, as amended by Executive Order 11375 to include discrimination on basis of sex, 1967
- **Age discrimination:** Employment Act of 1967, as amended
- **Wage and hour standards:** Fair Labor Standards Act (FLSA), as amended
- **Unemployment compensation:** Social Security Act of 1935; Employment Security Amendments, 1970
- **Social security tax increases:** Social Security Act of 1935; Employment Security Amendments, 1970
- **Health maintenance organizations (HMOs):** Health Maintenance Organization Act of 1973

- **Retirement benefits:** Employment Retirement Income Security Act (ERISA) of 1974 (Note: public institutions excluded)
- **Wage and salary controls:** Economic Stabilization Act of 1970 (Note: public institutions excluded; nonprofit institutions exempted January 25, 1974)
- **Occupational safety and health:** Occupational Safety and Health Act (OSHA) of 1970
- **Environmental protection:** Regulations implemented under several laws by the Environmental Protection Agency

In defining the scope of the inquiry, several criteria were established for selecting the laws and regulations covered by this study from the mass of legislation that affects higher education.

1. Only laws and regulations emanating from the federal government are included. Several Task Force institutions identified a number of state requirements—such as minimum wage or equal opportunity laws—that affect them as well, but these are not included in this study.

In the case of parallel federal-state programs, the federal requirements are sometimes more rigorous than those of the state. Strictly, the incremental costs of implementing federally mandated programs should be defined to include only those portions of the increases attributable to the greater rigor of the federal requirements, rather than the whole amount of the added costs to the institution.

For a more complete assessment of how all government activity affects educational costs, the study would have to be expanded to include the effects of both federal and state activity, identifying overlapping jurisdictions as well as those domains which only the states occupy at this time. Were such a study to be undertaken, the variability across the fifty states and the District of Columbia would demand that analyses be carried out separately for each jurisdiction.

Taking state regulatory activity into account would result in higher estimates of the costs to colleges and universities of socially mandated programs.

2. This study includes only those programs which apply to colleges and universities treated as business entities (a) that employ staff and use resources as do all other enterprises engaging in commerce within the power of the federal government to regulate; or (b) that contract with the federal government to provide goods and services.

The study does not include those laws and regulations which were intended to apply particularly to educational institutions—such as Title IX of the 1972 Education Amendments, which bars sex discrimination at colleges and universities which receive federal funds, or the Buckley Amendment, which requires modifications of student record-keeping procedures. The rationale for excluding these and similar laws is that, since the Congressional intent was to regulate institutional practices, these costs were expressly imposed on colleges and are not simply a by-product of their business characteristics.

Of course, implementing laws directed specifically at academic institutions involves measurable administrative and other costs, and the effect of expanding the study to include them would be to increase the overall cost estimates.

3. The study covers only those programs not accompanied by federal funds to meet the cost burdens they impose.

Therefore, costs such as those for the implementing of new standards for research on animal and human subjects were excluded from the study. These standards apply to institutions under federal contract; supposedly, the contracts provide some funding for implementing the new higher standards, although the affected institutions are finding that they must bear substantial additional costs as well.

If the study were expanded to cover the costs to institutions of performing work pursuant to federal contracts under which the full indirect costs are not entirely recovered but which require that certain equipment, safety, and other standards be maintained, then the cost estimates would be considerably greater than reported here.

Under these selection criteria, collective bargaining might well have been another program area covered by this study in that the Wagner Act of 1935, the federal legislation creating the National Labor Relations Board, and the recent judicial decisions extending its authority to private institutions make it a legal duty for private institutions to respond to bargaining initiatives. (Collective bargaining at public institutions is governed by state laws.) This program area was not included for the following reasons: Though the administrative costs of bargaining may be substantial, they are incurred only on the initiative of employees and, moreover, vary greatly from institution to institution. Negotiated wage increases, which are likely to be the largest costs of collective bargaining, are not mandated by the federal government in the same way that wage increases are mandated under minimum wage and equal pay laws. Thus, because (a) legislative requirements vary from state to state, (b) the costs depend on intervening employer-employee negotiations, and (c) response is likely to be required from altogether different, nongovernmental domains, collective bargaining was not included in this study.

Some of the federal laws included in this study have been on the books for a number of years but have only recently been extended to academic institutions, with little regard for the characteristics of the education enterprise. Others apply to private but not to public institutions, although there is no clear-cut, time-honored rationale for the differentiation between the two sectors, as is evidenced historically by the extension of federal social legislation first to private and later to public institutions. The differential application is usually justified on the grounds that public institutions are instrumentalities of state government and are covered by state programs and that the federal government should not interfere with state (or local) government. Moreover, in the past, public institutions were excluded from some federal laws on the grounds that they were not sufficiently involved in interstate commerce to confer federal jurisdiction, but that reasoning no longer holds in the courts.

Table 2 compares the legislation included in the study on the bases of several distinguishing characteristics important to the interpretation of the study results. The applicability of the laws to higher education institutions, including the distinction between

public and private institutions, is shown. Comparisons are made of the kinds of activities and costs required by different legislation: discretionary activities, faculty and administrative time, taxes, higher wages, and employment benefits, or physical plant modifications. We also indicate whether the study was able to determine fully or only partially the cost of compliance, and finally whether higher costs are anticipated in the future on a program-by-program basis.

Development of the Survey Instrument

The survey instrument was developed during early February 1975 by the study staff and Task Force members of the six institutions during one- and two-day working sessions on each campus. The instrument was reviewed again by all participants and by the advisors prior to use.

The open-ended format was designed to elicit as much information as possible, so that the validity and comparability of the data could be more accurately assessed and the nature of the costs incurred might be better understood.

It was judged that data could be generated and their quality ascertained more easily if the respondents indicated their degree of confidence by characterizing the cost data they provided as actual costs, estimates, or speculation. Working with people who actually administered the programs, the study staff developed illustrative lists of activities and included them with the survey instrument to help insure complete responses. Figure 1, a sample data collection sheet, indicates the care and detail that was sought in the generation of cost information.

Table 2
Comparative Characteristics of the Legislation

CHARACTERISTICS	Equal Employment Opportunity	Equal Pay	Affirmative Action	Age Discrimination	Wage and Hour Standards	Unemployment Compensation	Social Security Taxes	Health Maintenance Organizations	ERISA Retirement Benefits	Wage and Salary Controls	Occupational Safety and Health	Environmental Protection
Law does not cover public institutions because they are an agency of state government.						X[a]	X[b]		X	X	X[c]	
Law applies because college is an employer.	X	X	X	X	X	X	X	X	X	X	X	
Law applies if college is a federal contractor.			X		X							
College may be subject to similar state provisions if located in a state with such laws.	X	X	X	X	X	X			X		X	X
Law contains discretionary elements of compliance provisions.	X	X	X	X	X	X			X	X	X	X
Law requires faculty time to implement.	X	X	X									
Law requires administrative time to implement.	X	X	X	X	X				X	X	X	X
Administrative costs of compliance high relative to other compliance costs.	X	X	X							X		
Taxes, higher wages, or higher employee benefits costs required under law.		X			X	X	X		X			
Physical plant modifications required under law.											X	X
Study could fully cost compliance.						X	X	X				
Study could partially cost compliance.	X	X	X	X	X				X	X	X	X
Higher or new costs anticipated in the future.	X		X	X	X	X	X	X	X		X	X

Source: American Council on Education, Policy Analysis Service.

[a]Cost at public institutions depends on state provisions.

[b]Voluntary inclusion.

[c]Excluded under federal interim enforcement prior to mandated state enforcement.

Figure 1
Sample Data Collection Sheet

FEDERALLY-MANDATED SOCIAL PROGRAM COST STUDY

DATA COLLECTION SHEET

Program: Age Discrimination

Please See Instruction Sheet For Classification of Categories

Program Description:

See Attached*

				1) Nature of Cost		2) Benefit to the Institution			3) Degree of Confidence in Data Provided			4) Cost due to Compliance		Would Institution have Done this on its Own Initiative? b)
				One Time	Annual	No direct benefit	Some	Substantial	Actual Cost	Estimate	Speculation	Definitely	Questionable	Yes / No
DATES	TASK	BUDGET ITEM	COST	DATA CODE (Please "X")										
69-70	Monitor legislation	Personnel Director-1 week	$400	X		X			X			X		X
	Implement policy	Personnel Director-½ week	$200	X		X			X			X		X
	Coordination & Discussion Staff	Senior Personnel Officers-4 weeks	$800	X		X			X			X		X
	Establish controls	Purchase File	$190	X		X			X			X		X
		Personnel Clerk-maintain files 2 weeks per year	$200		X	X			X			X		X
	Related Cost	Fringe benefits, overhead & maintenance, personnel allocation and other misc. cost	$1063											
70-71	Monitor legislation	Senior Personnel Officer-1 week	$200		X	X				X				X
	Maintain controls	Personnel Clerk-maintain files 2 weeks per year	$200		X	X				X		X		X
	Related Cost	Fringe benefits, overhead & maintenance, personnel allocation and other misc. cost	$266											
71-72	Same as 70-71	Senior Personnel Officer	$200		X	X				X		X		X
		Personnel Clerk	$200		X	X				X		X		X

* The one-page program description prepared by the institution is not shown.

Definition of Costs

In this analysis, a fundamental distinction was made between the **total costs** of an activity and the **incremental costs** specifically attributable to compliance with the federally mandated social programs. In every case, we attempted to identify **incremental** costs (i.e., those additional costs directly associated with carrying out the federal programs), which comprise both one-time start-up costs and expenses recurring annually, including direct operating costs. As appropriate, the Task Force institutions allocated a portion of general overhead, taking care to avoid double counting where the program cost was a central administration activity already included in overhead.

To the extent that the required program activities are now an essential part of an institution's educational services—that is, part of the cost of doing business in education—full costs are the relevant figures for the purposes of making budgets and analyzing policies. It is the total cost of the activities which must be met by adequate revenues.

For some of the programs, such as social security benefits, costs are fairly easy to identify accurately; all that is involved in estimating the cost increases is to calculate the effects of legislated changes in tax bases and tax rates and of increases in wages to lower paid employees after separating out the effects of changes in the numbers of employees. But for other programs, such as Equal Employment Opportunity, costs are often very difficult to estimate in that the program requires a whole array of activities by many different functional units, and even continuous modifications of these activities as interpretations of the mandated requirements change. Because of ambiguities in identifying all activities that use resources and in distinguishing between added and base costs, this type of program is difficult to cost.

Those added costs of which the central administration is aware in managing the institution are accounted for relatively completely in this study. There is far less adequate accounting for those costs borne by academic departments, as incurred when staff time is diverted from instructional to other activities, or by individual faculty members in making a personal commitment of time to programs in addition to their regular activities.

Comparability of the Data

Every reasonable effort was made to ensure that data for each institution were comparable over time, even in those cases where responsibility for administering a program had changed over the decade under consideration or where improvements in financial information and in accounting systems led to discontinuities in the data series. Figure 2 indicates the ability of the six institutions to report cost data.

The data appear to be more nearly comparable over time than across institutions. Thus, the estimates of cost increases over time within an individual institution are probably more reliable than are the comparisons of absolute magnitudes of costs across the six institutions.

The data are less closely comparable from one institution to another because, in programs that permit some discretion in implementation, institutions may be following

Figure 2

Chart of Expenditures Reported: By Federally Mandated Social Program, Institution, and Year

= Costs reported

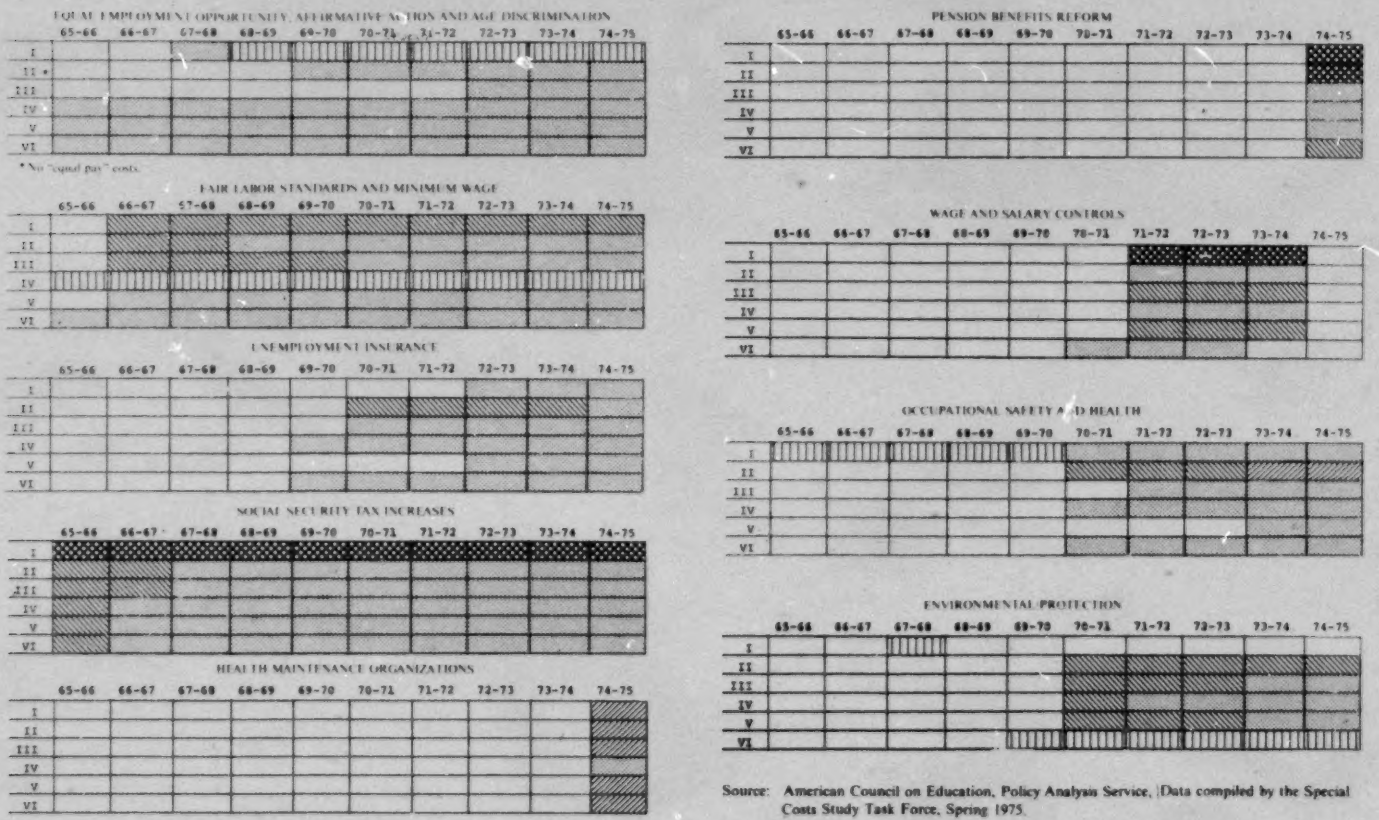
= Costs reported, but not necessarily all federally mandated

= Costs not reported, but likely to have been incurred

= No direct costs necessary for compliance

= Not applicable to institution

= No information



Source: American Council on Education, Policy Analysis Service, [Data compiled by the Special Costs Study Task Force, Spring 1975.

different procedures and pursuing different timetables. Consequently, before single years or time series of data from different institutions can be directly compared, inquiries must be made into the stages of the institutions' activities and the similarities in substance and goals.

Basis for Conclusions and Hypotheses

The generalizations derived from the data are synthesized with careful attention to the narrowness of the base for making assertions. The sample comprised only six institutions. Thus, two kinds of inferences are drawn. The first are firm conclusions that relate specifically to the six institutions; these have been extrapolated to larger populations only where the identified program phenomenon is known to affect other institutions similarly, as is the case, for instance, with social security contributions. Inferences of the second type are framed as hypotheses; these are based on observations from the six institutions but need to be tested by additional observations before they can be accepted as conclusions. An example is the hypothesis that the relative cost impact of socially mandated programs is greater at private than at public institutions; this assertion requires testing with a much larger sample.

Because it was impossible to ascertain with confidence how much program costs varied from institution to institution or how representative the sample was of the total institutional population or of institutional types within the population, no attempt was made to estimate from these data the aggregate costs of the programs to colleges and universities nationwide.

It must be emphasized that this study was a pilot effort to test the feasibility of generating cost estimates of these programs. The forms developed for collecting information have been requested by other schools for their own use. But each of the Task Force institutions reported spending 200 to 500 hours of administrative time to compile these data; most of this staff effort would be required anew by every additional institution involved in a broader study. Therefore, we do not recommend that this intensive investigation be replicated for a larger sample of institutions; rather, it should be used to derive specific hypotheses for probing particular programs, and to select the consistently identifiable cost indicators as a focus for more extensive studies sampling a greater number of institutions.

Conclusions

The conclusions, which are documented in the exhibits appended to this report, relate specifically to the six Task Force institutions:

1. In the 1974-75 academic year, the combined cost of implementing the federally mandated social programs at the six institutions was $9-10 million; the cost to the individual institutions represented between 1 percent and 4 percent of their operating budgets.

2. These costs, though small in comparison with total institutional operating budgets, are large compared with institutional funds for student aid, with income from the endowment and gifts, with the operating deficits suffered by some institutions in recent years, and with the budgets of some academic departments that face extinction because of shifts in institutional budget priorities.

3. The costs of implementing the federally mandated social programs at these six institutions have doubled over the last five years—considerably faster than increases in overall costs of instruction.

4. Program costs have also risen much faster than have total revenues. Consequently, colleges and universities have had to meet them in one of two major ways: either they have had to generate added operating revenues by increasing tuitions, expanding enrollments, and depleting financial reserves; or they have had to cut expenditures and change expenditure priorities by deferring physical plant maintenance and holding down the increases in staff compensation needed to compensate for general inflation.

5. If these increased costs are computed on a per-student basis (though they are not generally incurred in this way), they ranged in 1974-75 from $21 to $39 at the two large public institutions and from $129 to $164 at the two small private institutions. The costs were considerably higher for the two institutions with hospitals, though the per-student cost computations are far less meaningful in these cases. The social program costs represented from 5 percent to 18 percent of net tuition revenues at the six institutions in the 1974-75 academic year. If increases in the social program costs are compared with increases in tuition over the decade 1965 to 1975, they represent from 8 percent to 19 percent of the tuition increases at the four institutions without hospitals and 17 percent and 46 percent at the two institutions with hospitals.

6. Several of the federally mandated social programs have contributed substantially to the instability of costs at colleges and universities from year to year and thus compounded the difficulties of financial management and budget balancing.

Further, programs designed to help workers in periods of economic slack, such as unemployment compensation, resulted in sharp cost increases during the two recessions since 1970, at times when the institutions were possibly least able to bear them.

7. Administering these federal programs is itself costly. Over the decade, these costs have increased from a negligible share to as much as one-eighth to one-quarter of the general administrative costs of these institutions. According to the Task Force institutions, one significant side-effect of the institution's response to government-imposed requirements is acceleration of the tendency to centralize institutional administrative activities, which tendency potentially has an impact on educational initiatives.

8. In addition to administrative staff costs, the costs of implementing the programs include the costs of special studies, collection and storage of data, improvement of physical facilities, wage increases, and additional taxes. Of these, by far the greatest cost increases stem from increases in social security taxes—i.e., taxes on employment—which account for about half the additional cost burden.

9. To the extent that federally mandated programs involve social benefits financed increasingly from taxes on employment, they tend to vitiate the value of the tax exemption conferred on academic institutions. Generally, this exemption applies to taxes on income, property, and sales, but not to taxes on employment; inasmuch as colleges and universities are highly labor-intensive, employment taxes fall especially heavily on them.

10. The results of this study suggest that implementing federal policies with respect to social justice, manpower, science, defense, and taxation has a far greater financial impact on higher education than does any explicit and coherent federal policy in support of higher education. Some of the effects flowing from policies in areas of national interest outside education are intended, some are unintended, and some are scarcely recognized.

Hypotheses

This section presents two sets of hypotheses about the differential effects of the federally mandated social programs on institutional costs. The first set develops the proposition that the cost impacts of the programs may differ by type and size of institution, being greater on the more visible institutions and on private institutions. The second set compares the cost impacts on higher education institutions with those on profit-oriented private firms. Both sets are based on observations at the six participating institutions. But because they are intended to apply to a larger population, they require additional observations and analyses before they can be regarded as substantiated.

Hypotheses About the Differential Impacts of Program Costs, by Type and Size of Institution

1. The intensity of compliance efforts is to some extent a function of the visibility of a higher education institution, particularly when innovative or discretionary activities are involved. Large and prestigious institutions, whether public or private, tend to be more visible to the public and to the federal enforcement agencies than are small and less prestigious institutions; consequently, they come sooner under greater pressure to make active compliance efforts. The less visible institutions tend to follow the paths developed by the more visible.

2. Institutions that take the lead in implementing new federal laws and regulations are likely to incur development costs of innovation which will not necessarily be incurred by institutions following their example. Thus, the costs of innovation are borne primarily by the leading institutions, whereas the benefits are distributed, by means of an informal communications network, to a much broader group of institutions. Similarly, the risks of innovation are borne more heavily by the leading institutions. On the other hand, several institutions asserted that early innovation and compliance may prove cost-saving in the long run to the extent that it enables them to stay ahead of inflation, particularly in construction costs.

3. All but two of the federally mandated social programs covered by the study relate to work conditions and compensation for employees and to treatment of applicants for employment at academic institutions. Inasmuch as most such costs are incurred on a per-employee basis, increasing directly with the number of employees, it follows that the more employees, the higher the costs. Institutions that maintain a low student-faculty ratio or carry out research or have hospitals or extensive physical facilities, residences, and grounds—all of which require large numbers of nonacademic employees—will necessarily incur larger costs for employee-related programs.

4. A large share of the federally mandated costs are attributable to increases in social security taxes. In some states, public institutions do not participate in the social security system but rather in a state retirement system funded partially or wholly through direct appropriations from the state that are not necessarily considered a component in

the institutional budget. All private institutions, however, must participate in the social security system and thus are subject to the heavy burden of increased social security taxes.

5. Because they can in some cases appeal to the state legislature for special aid, public institutions may not face as great a threat as do private institutions from huge one-time compliance costs, such as legal settlements or the physical improvements required by the Occupational Safety and Health Act (OSHA). If the state government is also the enforcement agency, the pressure exerted on the public institution to comply with expensive requirements may be deflected until the state provides funds to cover the costs. Further, if the goal reflected in a particular federal law is a state priority as well—such as is the case with equal employment opportunity—special state funds may be available to finance institutional compliance. Or, in some cases, state institutions may be considered units of state government and, as such, be exempt from federal enforcement activities. None of these special conditions applies to private institutions.

6. States may provide services to public institutions that are not charged to the institution's budget: for example, legal services from the attorney general's office. Private institutions, on the other hand, must absorb the full cost of equivalent functions totally within their own budgets.

7. Some costs may be relatively fixed regardless of an institution's size; on a per-student basis, such costs are burdensome to all but the largest schools. Conversely, diseconomies of scale may occur in larger institutions which have several levels of administration and as many as 200 departments to coordinate.

8. Some program requirements—e.g., building safety improvements under OSHA—have a significantly greater impact on older established institutions than on newer expanding ones, where compliance is built into the system from the start.

To summarize: A number of these observations suggest that private institutions bear relatively heavier cost burdens in implementing social programs than do public institutions. Such a differential impact may contribute to the widening tuition gap between public and private institutions.

Hypotheses About the Differential Impacts of Program Costs on Academic Institutions and on Industrial Firms

1. Educational institutions usually set tuition rates on an annual basis and announce student charges several months in advance of registration. They are then bound by that revenue rate for a year. Increasing tuition rates in mid-year would necessitate, for instance, recalculating student need for financial aid and increasing awards or leaving students in economic straits. Consequently, academic institutions may have much less flexibility than do most commercial enterprises in timing price increases to reflect rising costs. And institutional costs continue to rise during the academic year, while the tuition component of annual revenue remains fixed.

On the other hand, colleges may have to worry less about losing buyers due to small price increases than do many private firms that compete chiefly in terms of price. Education consumers in general are committed—whether out of school loyalty or out of awareness of the high cost of transferring—to purchasing at the same institution for a number of years; essentially, they are paying installments toward a degree. In contrast, consumers of many commercial products may be rather indifferent to any factor except price; they buy an item, use it up, and buy another independent of the first decision to purchase.

2. Academic institutions are somewhat less able than are private firms to reduce costs quickly in response to economic adversity. They cannot quickly cut their work forces because—even apart from considerations of faculty tenure—their annual contracts with staff members are generally negotiated several months prior to the academic year they cover. Implicit commitments to students to provide certain programs also limit an institution's ability to reduce costs quickly.

Further, well over half an educational institution's budget is spent for staff compensation, leaving little room to reduce expenditures for purchases of equipment, supplies, and services, as most industrial firms can do.

3. Although the last decade has seen the increasing centralization of management systems in colleges and universities, their governance structures are usually decentralized. Consequently, implementing some programs, affirmative action, for example, may involve communicating with more than a hundred hiring units, whereas an industrial firm of comparable size may have an organizational structure that requires the coordination of only a small number of hiring units.

4. Private industry, which earns most of its revenue through selling its products or services to consumers, tries to maintain profit margins and to pass on added costs to buyers in higher prices, to workers in reduced wage increases, or to stockholders in lower dividends. When a private firm, to meet increased costs, generates added revenues by increasing prices, that increase usually affects all the buyers of a given product, thereby distributing the cost burden over all its sources of revenue. Institutions of higher education, on the other hand, usually have not one but four major sources of revenue: student charges, state support, federal support, and private contributions from either current giving or endowment. The institutions themselves have direct control over only one of the revenue sources: the charges to students for tuition, fees, and room and board.

While costs to institutions have escalated at unprecedented rates—a situation to which the costs of federally mandated social programs have contributed—the other sources of revenue have lagged; thus, the burden of higher costs may have been shifted disproportionately to students, who are paying an increasing share of total educational costs, particularly those students whose tuition charges are not offset by increased student aid.

If the full cost increase at an educational institution must be absorbed by the tuition share of revenue—that is, if the tuition share must make up for lags in other shares—tuition must increase more than proportionately. For example, if a 10 percent general inflation of all costs is concentrated on tuition, and if tuition accounts for half an institution's revenues, tuition must jump 20 percent. Thus, tuition has a built-in tendency to go up

faster than the general price level, a tendency that results from the financial structure of higher education and has little to do with its productivity rates as compared with those of other industrial sectors.

5. If an industrial firm cannot shift the added cost burden, its profits are reduced. But its profit taxes are reduced as well. The current corporate income tax rate is 48 percent; though the actual **average** effective federal income tax rate on corporations varies considerably by industry, ranging all the way down to less than 20 percent, as a result of credits and deductions and other special provisions of the tax law. The **marginal** rate is, however, closer to 48 percent. In effect, by forgoing some tax revenues, the federal government absorbs a large share—up to almost one-half—of any increases in federal program costs that are incurred by the industrial firm but not covered by increased prices.

While higher education institutions benefit from the exemption from income taxation, they nonetheless must draw from their own current budgets to cover the **full** amount of additional costs of implementing federal programs.

6. To the extent that colleges and universities are more labor-intensive than many private industries, the education sector is more heavily burdened by these increased taxes on employment than is private industry. A large portion of the increased costs of the social programs to colleges and universities is attributable to sharp increases in the social security taxes on employment. In the ten years from 1965 to 1975, the maximum payment employers had to make for each employee more than tripled—jumping from $227 to $824—as a result of the combined increases in the taxable income base and the tax rate.

In the last ten years, the share of federal budget resources provided by social security taxes has increased from 19 percent to 31 percent. The share provided by personal income taxes has remained at roughly 45 percent, while the share provided by corporate income taxes has dropped from 22 percent to 15 percent. Of course, social security taxes are used entirely for funding the social security system and do not become general federal revenues.

Implications

The laws and regulations included in this analysis impose costs on institutions but make no specific provision for funds to cover them. Thus, colleges and universities must meet those costs out of their own operating and capital budgets in the same ways that they cope with general inflation.

Funds are fungible. That is, income—at least, unrestricted income—can be spent on a wide range of items within an institutional budget. This makes it difficult to ascertain precisely from where, within an institutional budget, the funds have been drawn to cover these added costs. Efforts were made, therefore, to collect historical budget data for the entire decade from 1965 to 1975 in order to identify trends in major revenue and expenditure categories and to search for possible sources of funds. (See Exhibit 2.)

Since the program costs are increasing at much faster rates than are revenues, it seems likely that some of the funds required to implement the programs are being diverted from other activities. Those expenditure items that are growing at less-than-overall rates of increase (and that thus may be bearing some portion of the burden of diverted resources) include, in recent years, salaries for academic and nonacademic employees, operation and maintenance of plant, and student aid. In addition, several of the Task Force institutions claimed that funds for education innovation have diminished, thus hindering their ability to adapt to current and new program needs.

Have These Programs Resulted in Lower Productivity?

Clearly, resources have been diverted from strictly educational activities to support broader social goals. Given the current state of the art of education accounting, neither our measures of educational output nor our understanding of the relation between inputs and outputs (particularly with respect to the quality of the inputs and outputs) are sufficiently advanced to permit us to quantify small changes in educational productivity.

Conceivably, the general welfare has not suffered because of this diversion of funds. It is possible, for instance, that the introduction of costly social programs has resulted in increases in educational productivity or in a desirable redistribution of the gains in educational output, benefits that may be deemed to offset the drain on institutional resources.

Something can be said, however, about what will happen if the costs of the social programs continue to increase at current rates: Unless federal and state sources of support for colleges and universities bear at least a proportionate share of the added costs, they will be borne disproportionately by the students and their parents, the faculty and staff, and the institutions themselves.

Are These Costs Inflationary?

Inflation is defined as paying more for the same goods and services. Since the imposition of these program costs does not generally increase the output of goods and services, then, according to recent conventional analyses of the impact of federal government regulation on industry and the consumer, these costs are inflationary.

What such conventional analyses ignore, however, are social gains from the programs, including greater future income security, a better environment, safer places to work, less discrimination against the disadvantaged, and less economic inequity. These and other social benefits conferred by the programs are not conventionally defined by economists as "output" because of inadequacies in social accounting. The costs of advancing toward social goals are labeled "inflationary" in large part because they are not offset by output that is included in the gross national product. A sensitive analysis of the actual inflationary impact of these programs would require a much improved conception of net gains in the national social product.

Future Cost Trends

One purpose of the study was to generate information for estimating future trends in the costs of implementing federally mandated social programs. Have the growth rates of these costs peaked and then slacked off? Or are they still increasing, perhaps at even faster rates?

Aggregating all program costs at the six institutions over the decade, we find some year-to-year differences in their growth rate, and even some indication of a peak and a trough associated with the 1970-71 business cycle. But the trend data offer little hope of a marked decrease in the growth rate of these costs. On the basis of this study, no decline in these costs can be projected. Nor can most institutions expect a leveling-off of mandated costs, unless their current expenditures are exceptionally high, and partly composed of one-time capital costs.

On the contrary, the prospect is that practically all the programs studied will result in still higher costs for academic institutions. Social security taxes are likely to increase unless there are major legislative changes in the program. The cost impact of some programs, such as those in the affirmative action area, has only just begun to be felt. The costs of other programs, such as ERISA, are almost all in the future.

Furthermore, proposals for new legislation and regulations continue to be introduced in rapid sucession. But few proposals are acted on to abolish or roll back existing requirements. New programs can be expected to add costs rather than to replace other social program expenditures because almost all of the expenditures, except special start-up costs and one-time capital costs, persist for the life of each program. Consequently, absorbing the costs of social programs will, in all likelihood, continue to be a substantial—and growing—concern of educational institutions into the foreseeable future.

Recommended Policy Responses and Follow-Up Actions

This study identifies significant costs to colleges and universities of carrying out federally mandated programs. These programs originate outside the education domain and are aimed at achieving expressly stated national objectives in the social and environmental domains. Nonetheless, these programs have a tremendous impact on higher education, an impact that is not evaluated at the federal level when policy and budget tradeoff decisions are being made. This situation is largely attributable to the philosophy of recent administrations that education is basically the responsibility of the states and that it may not even be appropriate for the federal government to formulate a comprehensive policy in support of higher education. To the extent that federal policies in other domains are not examined to determine their potential effect on the nation's capacity to educate, there is an education policy vacuum at the federal level.

Rationale for responding adequately to the concerns of the higher education community about the types of costs identified in this study should be based on the imperatives of a clearly stated higher education policy. In the absence of a coherent federal policy, no single or uniform response can be fashioned by or for the higher education community that is rationally related to all the different sources of these cost increases. Consequently, the policy responses suggested here must operate in other policy domains, where educational concerns are, at best, peripheral.

This section covers subject areas where, in devising policies for other domains, greater attention should be paid to possible effects on higher education. The recommendations are intended to stimulate discussion of appropriate responses. They do not represent statements of policy positions by the study sponsors or by the Task Force institutions but rather reflect the insights of individual participants in the study.

Relations with the Federal Government

Historically, the higher education community has defined its relations with the federal government almost entirely within strict educational bounds—usually limited to institutional aid, student aid, and, possibly, funding for research—and virtually ignored federal programs which benefit or which impose costs on higher educational institutions as a spillover effect, even though the effect is very significant on total resource allocation.

Thus, the higher education community's traditional focus on its relations with the federal government is too narrow. The major federal impact on colleges and universities currently comes from legislation directed toward objectives outside the educational domain. Both the federal government and the higher education community need to examine the full range of their interactions, while at the same time recognizing that fragmentary activities in other domains which impinge on higher education do not add up to a coherent federal policy toward higher education.

Indirect Cost Recovery on Federal Grants and Contracts

Federal grants to and contracts with colleges and universities for services to be performed contain provisions requiring the implementation of federally mandated social programs. For instance, contract provisions require extensive equal opportunity and affirmative action planning and programs, both in hiring employees and in choosing subcontractors, and may require that certain equipment or safety procedures be used.

In principle, demonstrable costs that have been incurred in performing work under a federal contract can be included in a contract's direct and indirect cost recovery provisions. The present study indicates, however, that indirect costs are increasing in complexity and magnitude at a rapid rate. In view of these federally imposed costs, institutions need to reassess whether their recovery of costs is consistent with the additional outlays required. And the federal government should reassess its cost principles to make sure they permit full recovery of necessary costs flowing from implementation of federally mandated social programs.

It should also be noted that profit-oriented industry under contract with the federal government uses cost accounting principles constructed on different bases, allowing for full cost recovery plus a profit factor. On the other hand, the principles for universities not only do not provide for profit, but in many cases involve cost-sharing, whether mandatory or voluntary, and rarely cover the full costs of projects.

Cost Indexes for Higher Education

This study has highlighted the need for up-to-date, comprehensive cost indexes for higher education. At present, the cost indexes used for higher education are constructed with large base weights for faculty and staff compensation. In recent years, however, faculty salaries paid by educational institutions have increased more slowly than has the general cost of living and may represent a declining share of total expenditures, whereas energy costs and the costs of new functions not directly associated with classroom instruction and not necessarily included in the cost indexes have increased rampantly. Thus, existing price and cost indexes probably understate actual cost increases.

Cost impacts on different types of institutions may differ sufficiently to warrant the development of separate indexes for each major type of institution and for the various regions of the nation.

Further, the cost indexes currently used in higher education generally relate only to instructional or research activities, not to the entire enterprise. Cost trends for auxiliary enterprises may differ from instructional cost trends. The development of more comprehensive and differentiated cost indexes should be accelerated.

Need for Improved Measures of Financial Conditions

The costs of implementing federally mandated social programs must be met from current and capital budget resources of higher education institutions. To assess the full impact of these added costs, and to anticipate trends in real resources available to meet required future expenditures, information is needed on how these costs affect the financial conditions of colleges and universities.

Solid information about financial conditions is often more difficult to establish for higher education institutions than for industrial firms, however, for two reasons. First, performance objectives are less easily stated in quantifiable terms; and second, consolidated financial data are generally not available for a college or university, because standard college accounting shows the college, not as an operating entity, but rather as an aggregation of separate funds designed to serve fiduciary responsibilities to those who provide the funds for support.

More comprehensive measures of financial conditions are needed for colleges and universities to help gauge the impact of these programs on the ability of the institutions to fulfill both educational and social responsibilities with available resources; they are needed as well for underpinning analyses of issues in financing higher education generally.

Capital Costs

Complying with the Occupational Safety and Health Act of 1970 and with the standards of the Environmental Protection Agency can be costly, especially when major capital improvements are required. Legislation should be passed enabling institutions to qualify for grant and loan assistance to meet a reasonable share of the costs of the capital improvements made in carrying out these programs.

Social Security Tax Reform

General tax reform is usually defined as a concern of higher education only insofar as it directly affects incentives for private giving to academic institutions. Yet the vast increases in employment taxes borne by the labor-intensive higher education enterprise have tended to nullify the benefits of the income tax exemption and have shifted the economic position of the nonprofit educational sector relative to the profit-oriented sector. Because they are treated as business entities, nonprofit higher educational institutions are subject to a wide variety of federal employment and business regulations but they have fewer ways to recover associated costs than has the profit sector.

Concern about escalating social security taxes is usually expressed as an objection to the regressivity of the tax, because lower-income workers pay larger proportions of their income in social security taxes than do higher-income workers. Indeed, lower-income workers often pay more dollars in social security taxes than in income taxes.

It is equally appropriate, however, that the higher education community be concerned about the social security tax because it shifts tax burdens—and therefore production costs—among industrial sectors according to their labor intensity. Higher education is extremely labor-intensive. Thus, financing income security from regressive taxes on employment is especially burdensome to higher education.

The higher education community has a direct interest in the merits of various proposals to reform social security taxation, particularly those proposals that would shift a portion of the employer-employee contribution to general federal revenue sources. The

implications of social security tax reform should be explicitly considered by both the federal government and the higher education community as a relevant aspect of the federal impact on higher education.

Surveying the cost increases in social programs at the six institutions suggests the need for action on many fronts. Academic institutions, higher education associations, and units of government, all must take responsibility for developing effective means of implementing valued social policies to the fullest extent, while at the same time using resources wisely for educational purposes.

Documentation of the Conclusions

As noted on the charts, most of the cost trend data are plotted on semi-logarithmic grids to facilitate visual comparison of rates of increase. A straight line sloping up to the right from the point of origin indicates a constant rate of increase, and a steeper slope indicates a greater rate of increase.

Exhibit 1. Trends in Costs of Implementing Federally Mandated Social Programs, 1965-75

1.1 Total Costs. Increases in costs over base years; combined costs of twelve program areas at six institutions.

Over the decade, these costs increased ten-to-twentyfold at the six Task Force institutions, from a combined cost of about $500,000 to about $10 million. Because the base years of data collection differed from institution to institution, and costs may have been underreported to a greater extent in the earlier years than in the later years, a broken line is used to indicate the uncertainty of rates of increase in the earlier years surveyed.

1.2 By program. Combined costs of twelve programs at six institutions.

Social security tax increases accounted for the largest share of the total increases in social program costs. The other programs, listed in descending order of their cost impact in 1974-75, were equal employment opportunity programs, occupational safety and health, minimum wage, environmental protection, unemployment compensation. Pension benefits (ERISA), wage and salary controls and health maintenance organizations had the least cost impact.

The costs of equal employment opportunity programs increased steadily, whereas the costs of minimum wage[1] and unemployment compensation programs had cyclical patterns, increasing sharply in recession years. The costs of occupational safety and health regulations, which involve large but irregularly timed capital costs, showed an uneven pattern from year to year.

1.3 Comparison of the costs of individual programs with the total costs of federally mandated social programs at each institution.

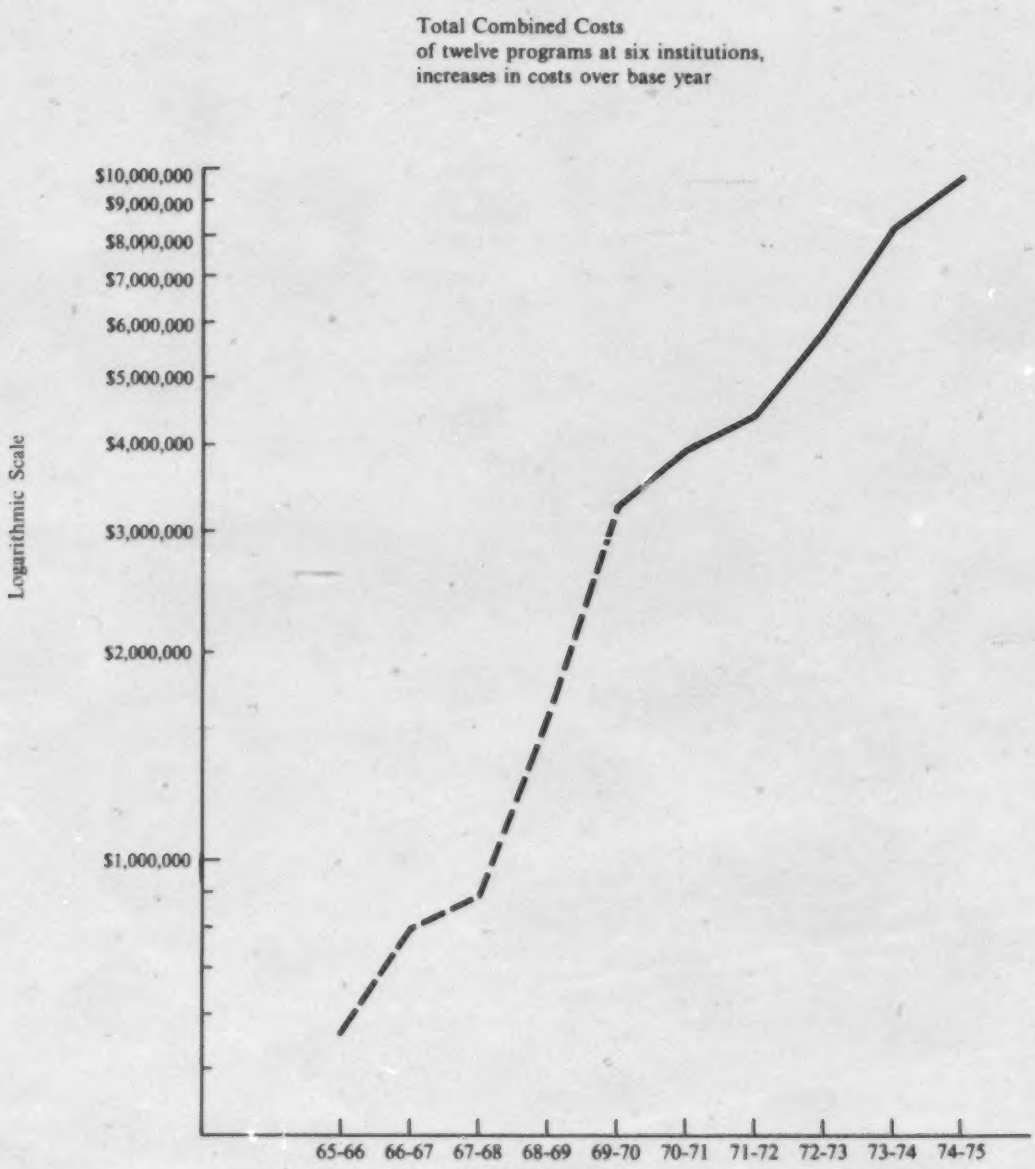
1.4 Trends in costs at institutions, including increases in social security taxes.

1.5 Trends in costs at institutions, excluding increases in social security taxes.

Sharp cost increases were experienced by all six institutions over the decade. The rates of increase are much steeper when social security taxes are included than when they are excluded.

[1]The costs of the minimum wage law were calculated very conservatively as only the direct added wage costs in the initial year of implementation of an increase in the minimum wage rates.

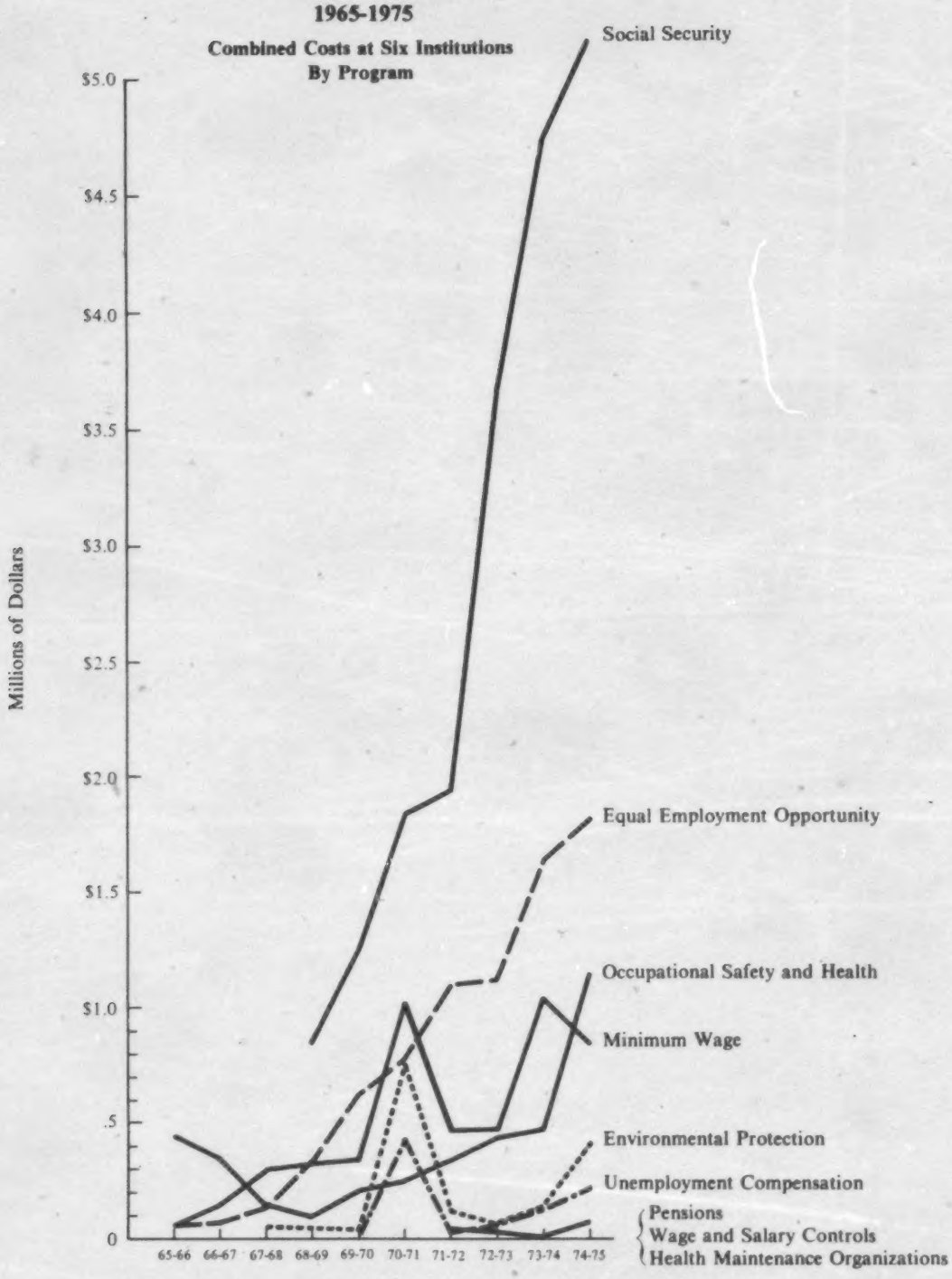
Exhibit 1.1
Trends in Costs of Implementing Federally Mandated Social Programs 1965-1975



Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975

Note: Dotted line indicates different base years for different programs and possible underreporting of costs to a greater extent in the earlier years.

Exhibit 1.2
Trends in Costs of Implementing Federally Mandated Social Programs 1965-1975



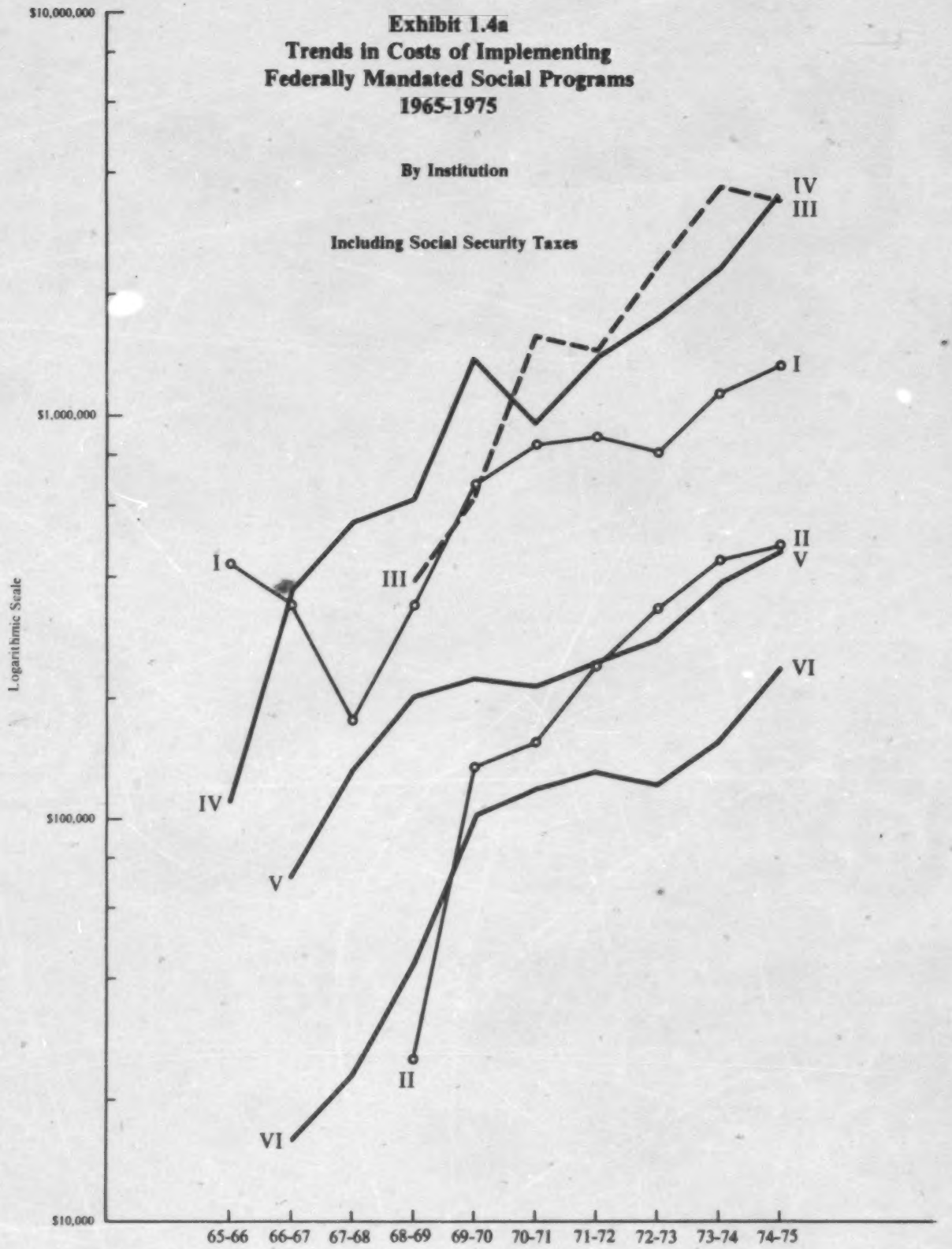
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 1.3
Costs of Individual Programs as Compared with Total Costs of Federally Mandated Social Programs, By Institution

Institution	I	II	III	IV	V	VI
Control and Type	Public State University	Public Local Community College	Private University, with Hospital	Private University, with Hospital	Private Comprehensive College	Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
Federally Mandated Social Program:						
Equal employment opportunity	64%	40%	2%	3%	1%	Negligible
Equal pay	3%	None		12%		Negligible
Affirmative action	In EEO	In EEO		In EEO		2%
Age discrimination	None	Negligible		Negligible		None
Wage and hour standards	8%	Negligible	8%	20%	33%	10%
Unemployment compensation	Negligible	Negligible	3%	3%	1%	3%
Social security tax increases	Not applicable	58%	70%	48%	60%	58%
Health maintenance organizations	None	None	None	Negligible	None	None
Retirement benefits (ERISA)	Not applicable	Not applicable	6%	0.5%	Negligible	None
Wage and salary controls	Not applicable	Negligible	None reported	Negligible	None reported	Negligible
Occupational safety and health	25%	None	9%	7%	1%	Negligible
Environmental protection	In OSHA	None reported	2%	6%	4%	26%
Total Costs	100%	100%	100%	100%	100%	100%

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.
Note: 1965 to 1975 inclusive, unless data were collected over shorter period.

Exhibit 1.4a
Trends in Costs of Implementing Federally Mandated Social Programs 1965-1975



Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 1.4b
Trends in Costs of Implementing Federally Mandated Social Programs
1965 — 1975
By Institution, Including Social Security Taxes

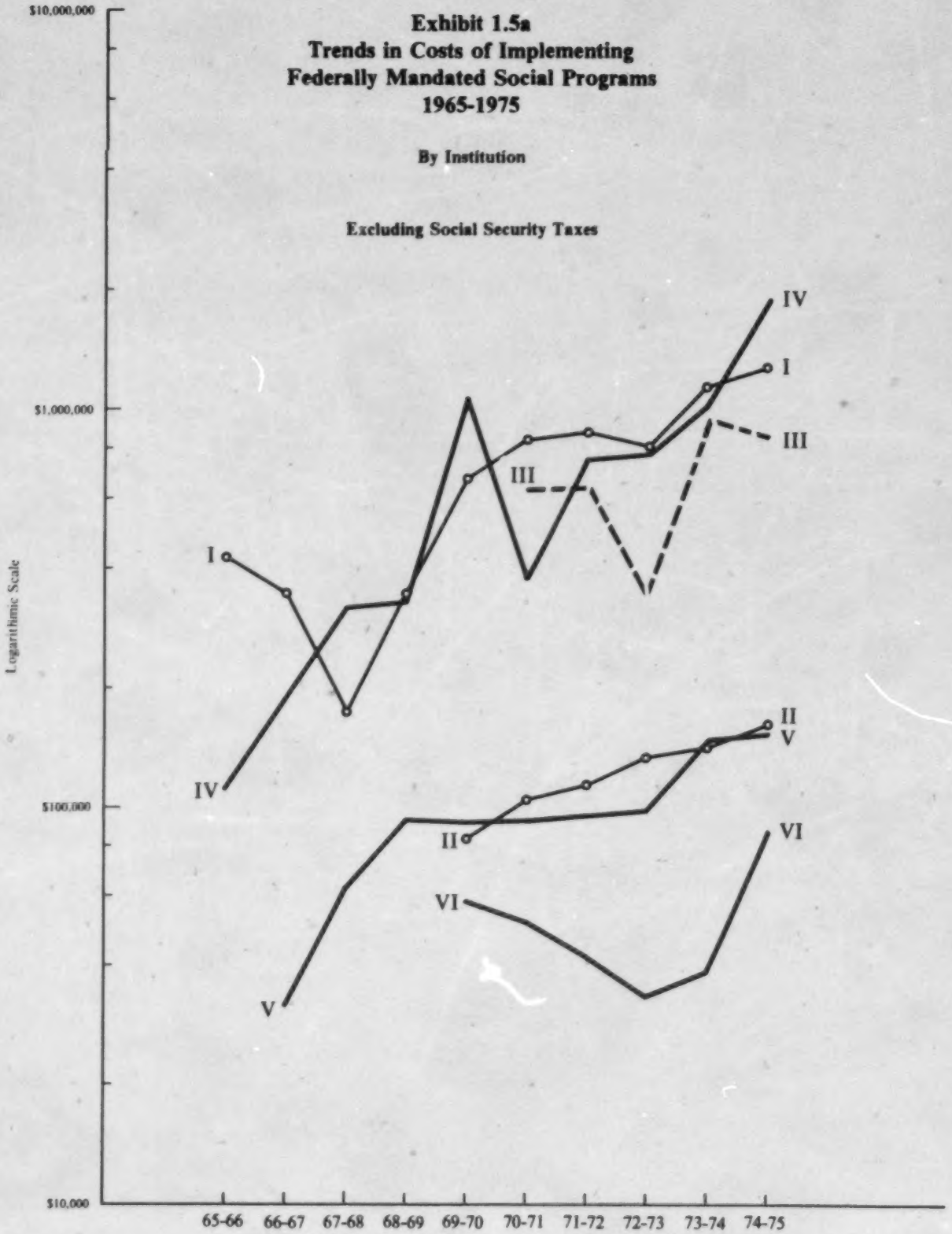
Institution Control and Type	I Public State University	II Public Local Community College	III Private University, with Hospital	IV Private University, with Hospital	V Private Comprehensive College	VI Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66	$ 438,470	$	$	$ 110,736	$ 2,158	$ 4,540
1966–67	348,809			359,522	71,113	16,028
1967–68	176,467			555,194	131,926	23,081
1968–69	346,265	25,567	391,545	611,384	202,908	43,511
1969–70	683,645	138,250	661,559	1,440,581	221,908	105,583
1970–71	856,429	156,240	1,607,738	992,038	216,493	119,753
1971–72	880,932	240,107	1,450,318	1,485,302	242,245	131,893
1972–73	819,815	337,451	2,493,210	1,809,287	279,659	123,789
1973–74	1,156,583	441,257	3,715,170	2,330,676	385,619	154,965
1974–75	1,302,545	480,067+	3,618,070+	3,603,243	467,493	240,164

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 1.5a
Trends in Costs of Implementing Federally Mandated Social Programs 1965-1975

By Institution

Excluding Social Security Taxes



Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 1.5b
Trends in Costs of Implementing Federally Mandated Social Programs
1965 — 1975
By Institution, Excluding Social Security Taxes

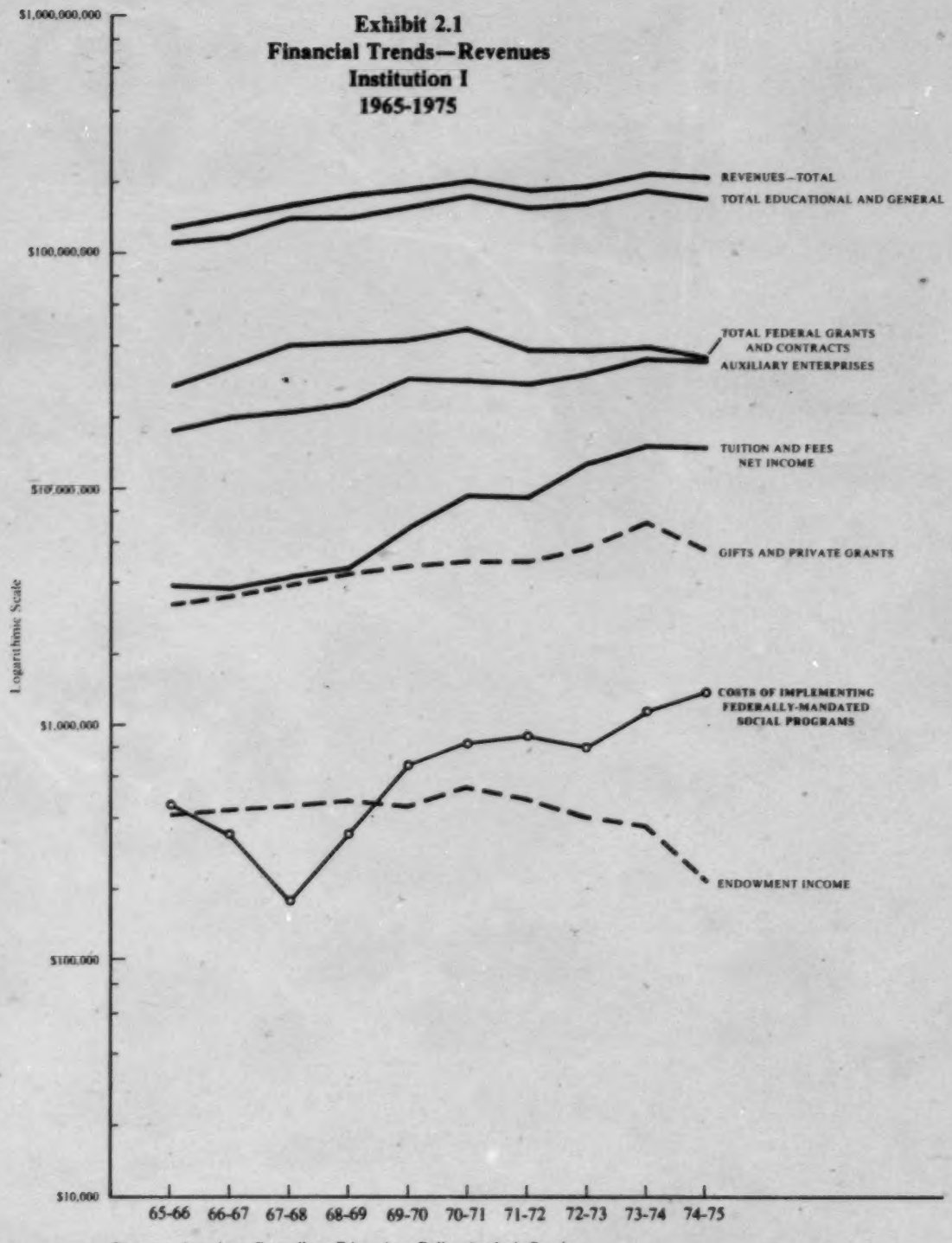
Institution Control and Type	I Public State University	II Public Local Community College	III Private University, with Hospital	IV Private University, with Hospital	V Private Comprehensive College	VI Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66	438,470			110,736	2,158	4,540
1966–67	348,809			193,370	32,958	320
1967–68	176,467			313,004	62,958	345
1968–69	346,265	1,263		332,922	93,558	375
1969–70	683,645	80,186		1,091,829	92,958	58,239
1970–71	856,429	103,663	617,400	393,022	92,958	52,421
1971–72	880,932	115,710	623,750	758,711	93,928	42,407
1972–73	819,815	135,570	349,590	771,208	99,070	34.303
1973–74	1,156,583	141,954	962,940	1,006,506	146,590	39,464
1974–75	1,302,545	180,764	865,840	1,939,573	166,277	87,871

Source: American Council on Education, Policy Analysis Service, Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2. Financial Trends at Each of The Task Force Institutions: Revenues and Expenditures

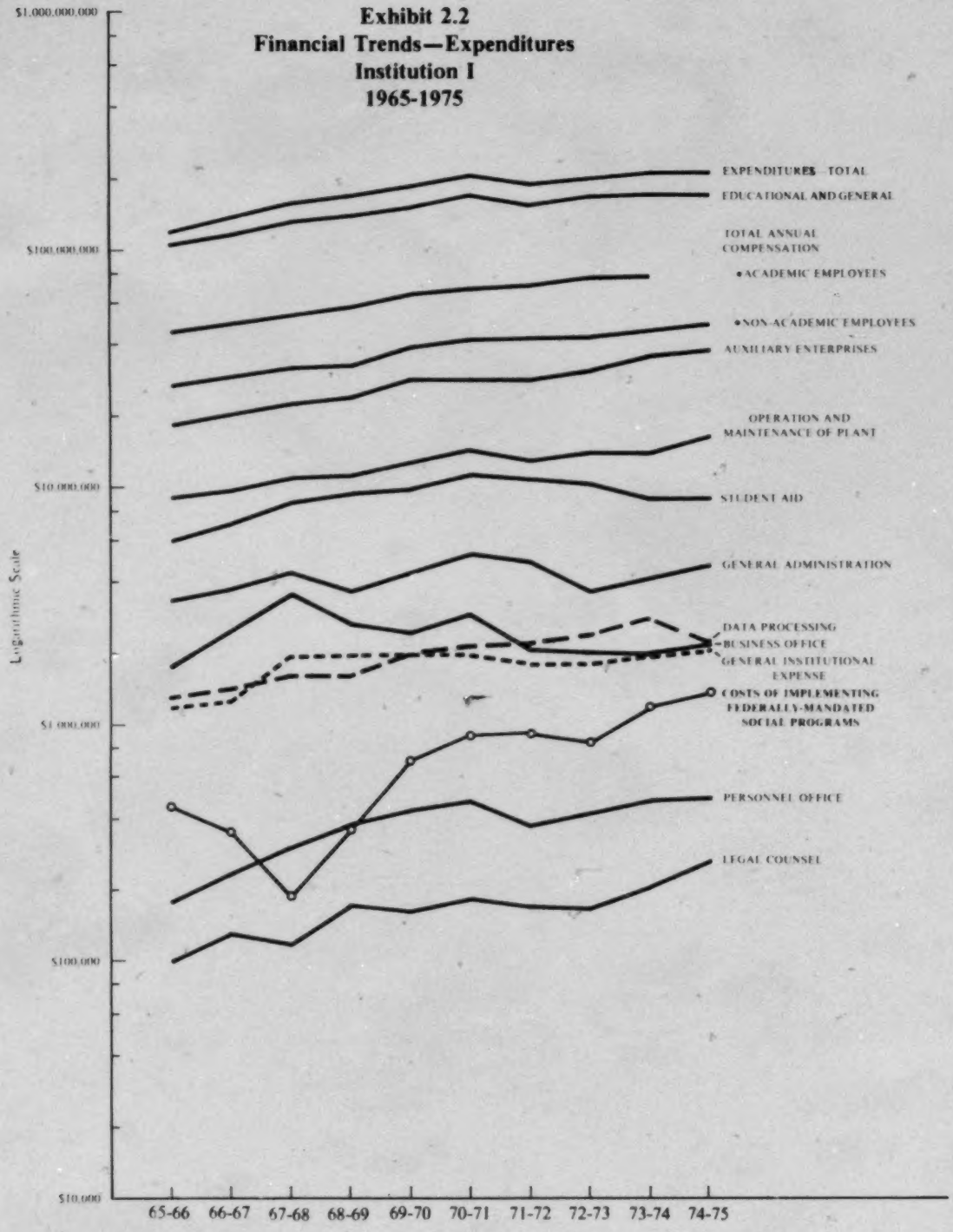
The increase in the costs of implementing federally mandated social programs is compared with trends in major revenue and expenditure categories at each institution. As the charts indicate, these costs have increased considerably faster than have revenues. Consequently, the funds to cover these added costs have been generated in part by shifting expenditure priorities. The components of expenditures which have been growing more slowly in recent years than have total expenditures include faculty compensation and student aid.

Exhibit 2.1
Financial Trends—Revenues
Institution I
1965-1975



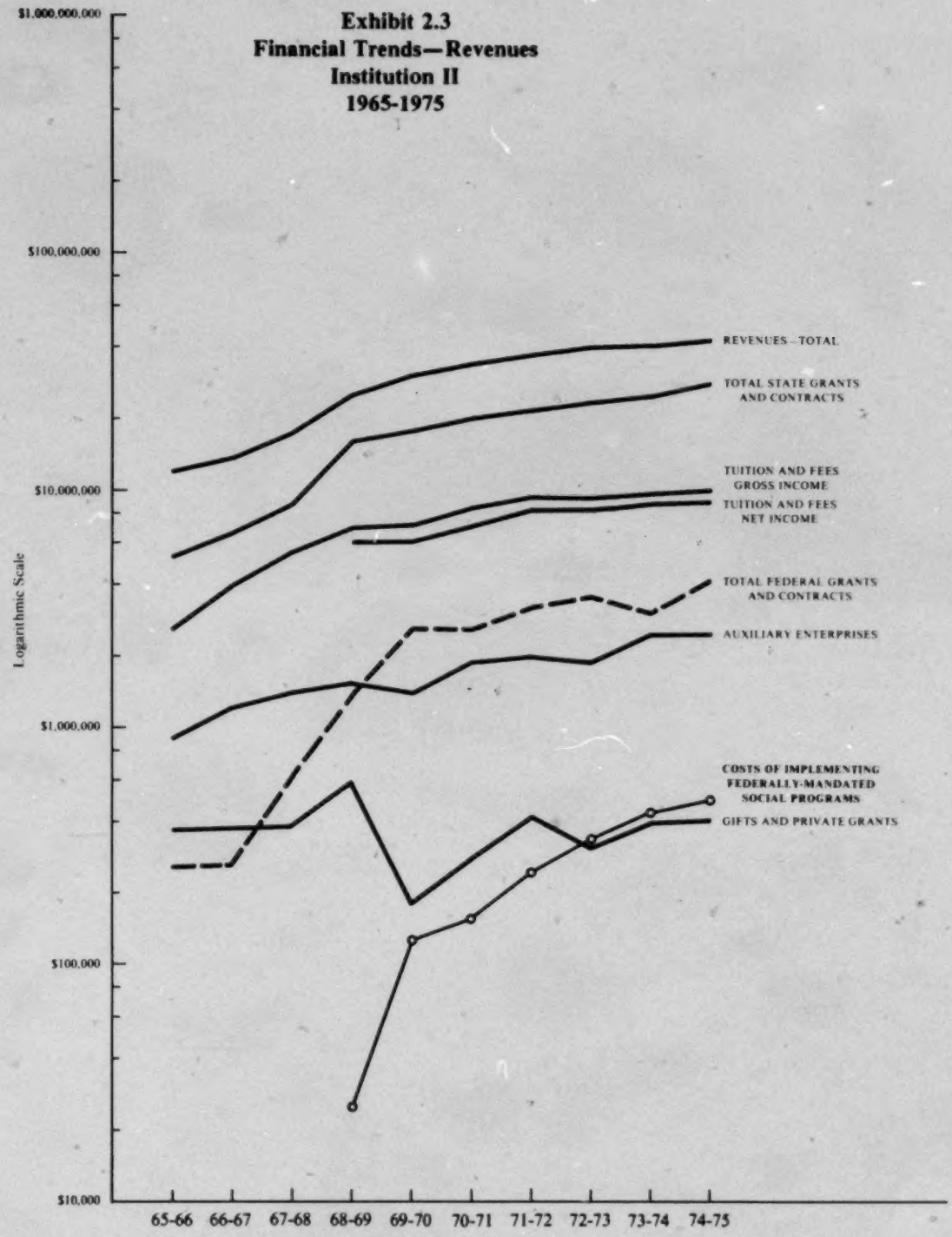
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.2
Financial Trends—Expenditures
Institution I
1965-1975



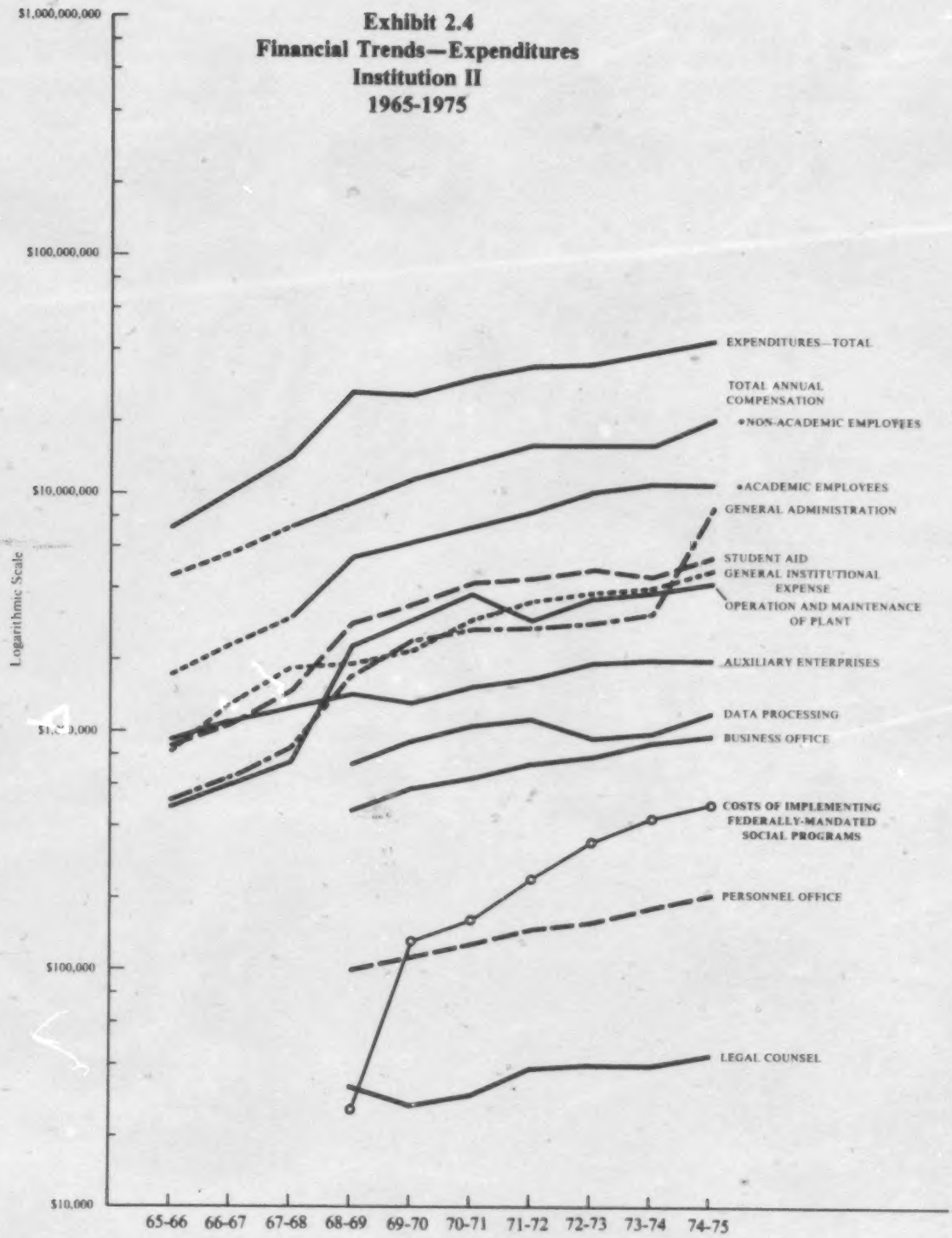
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.3
Financial Trends—Revenues
Institution II
1965-1975



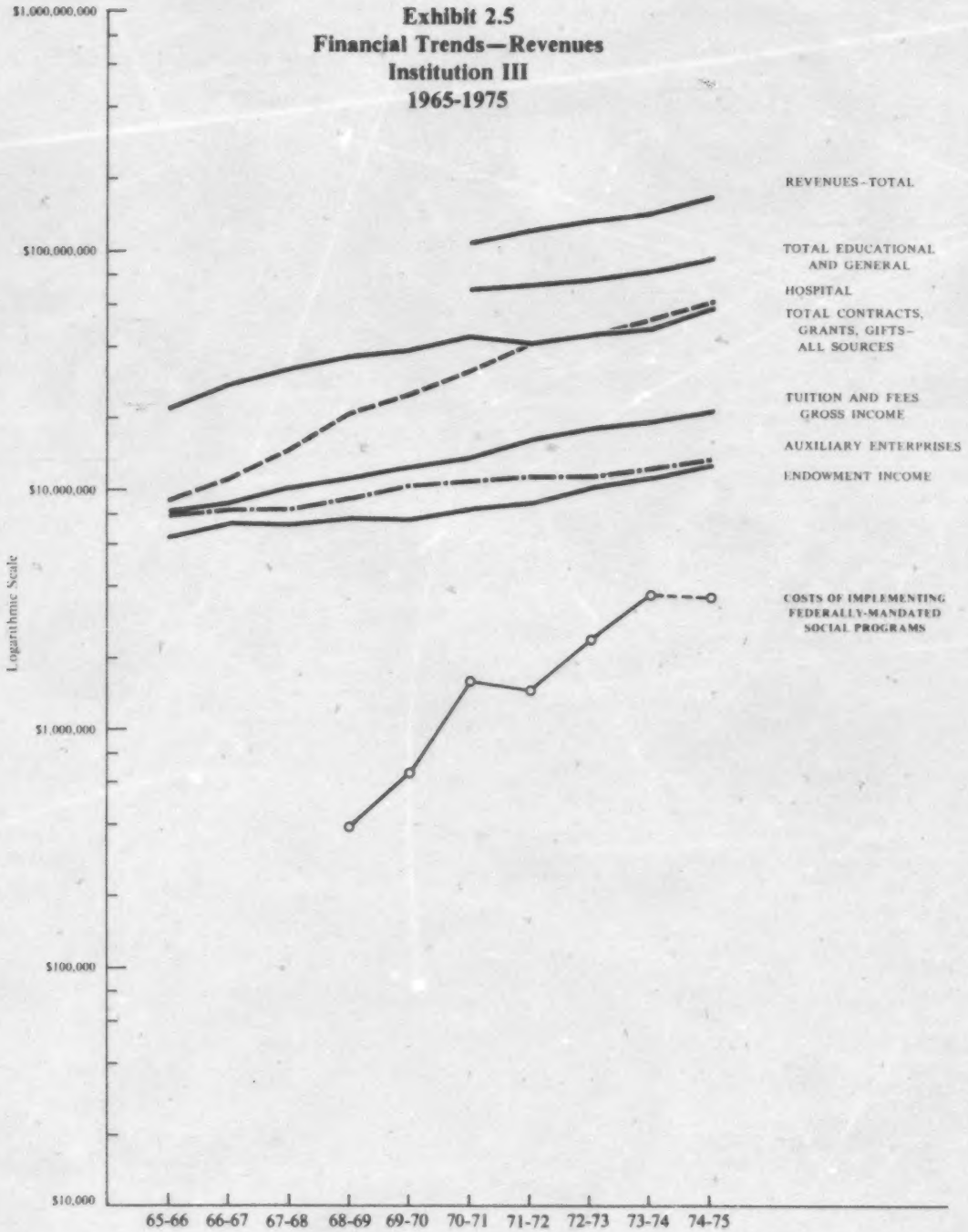
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975

Exhibit 2.4
Financial Trends—Expenditures
Institution II
1965-1975



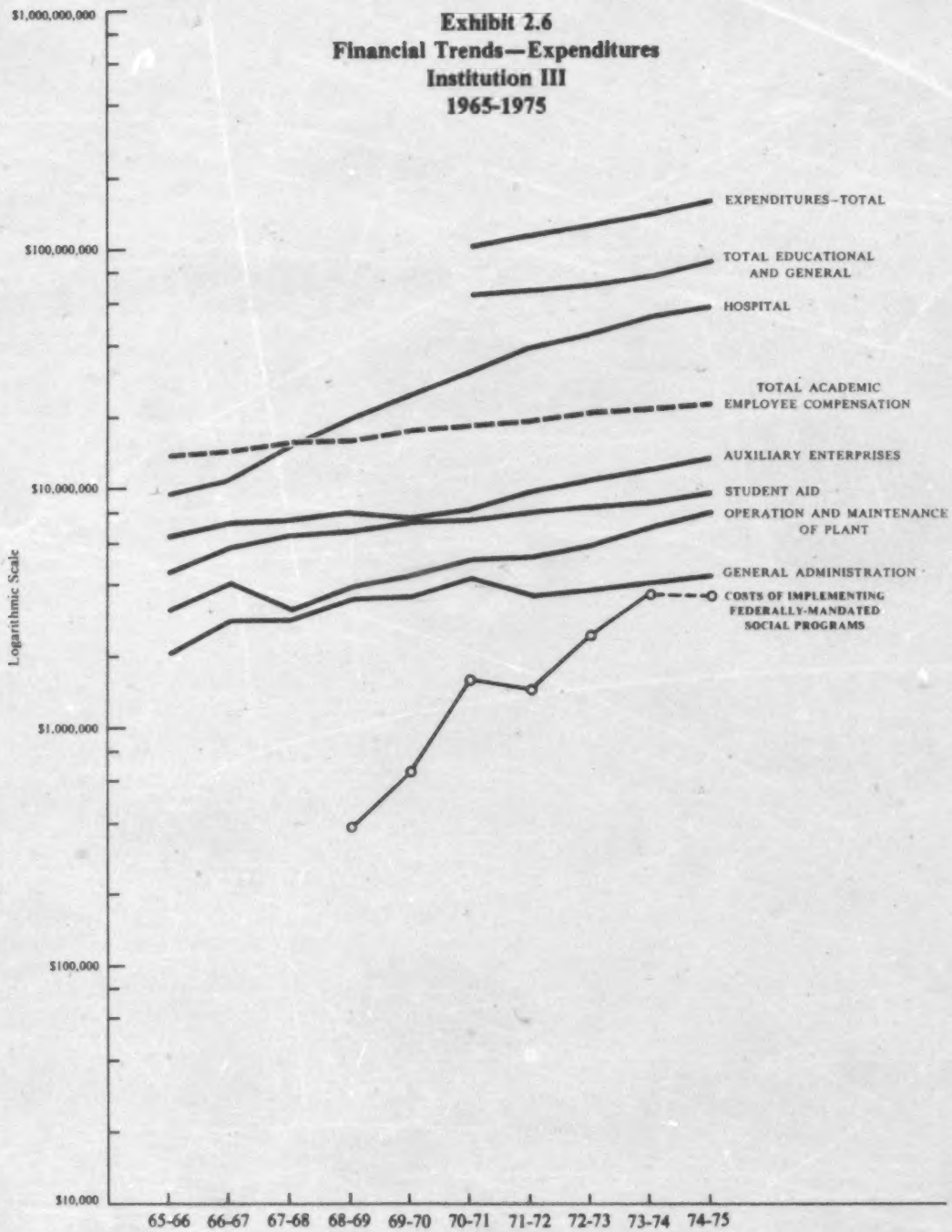
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.5
Financial Trends—Revenues
Institution III
1965-1975



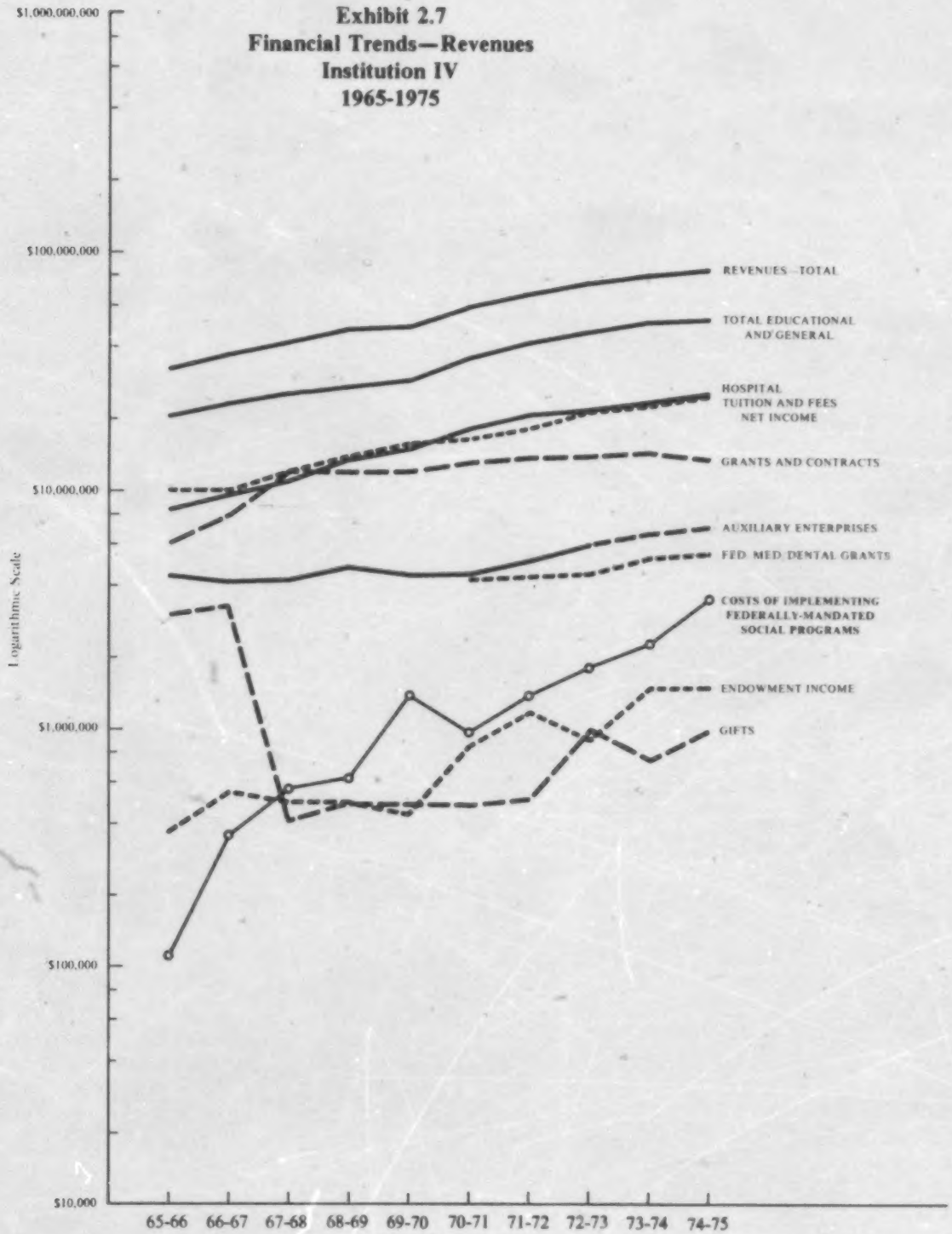
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.6
Financial Trends—Expenditures
Institution III
1965-1975



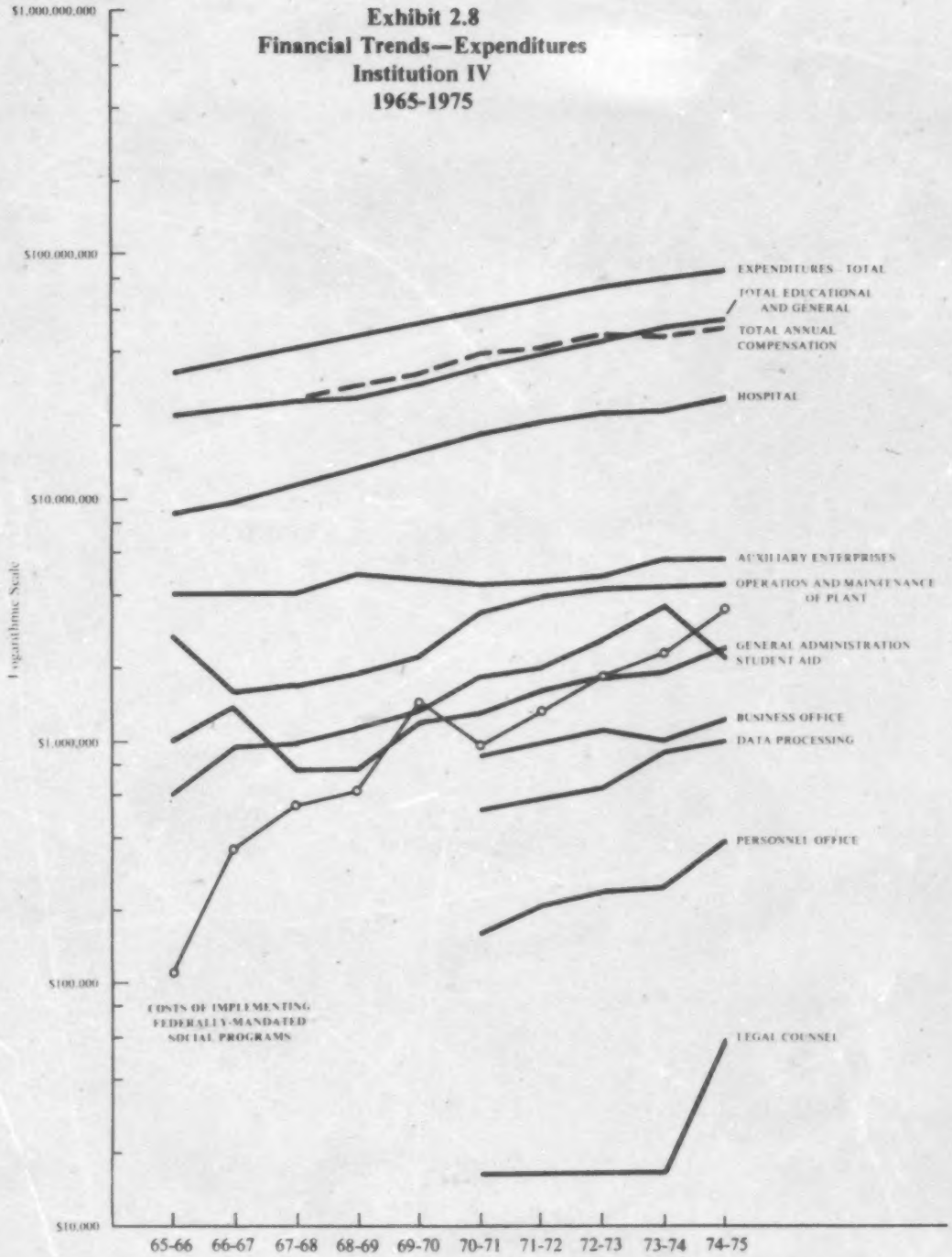
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.7
Financial Trends—Revenues
Institution IV
1965-1975



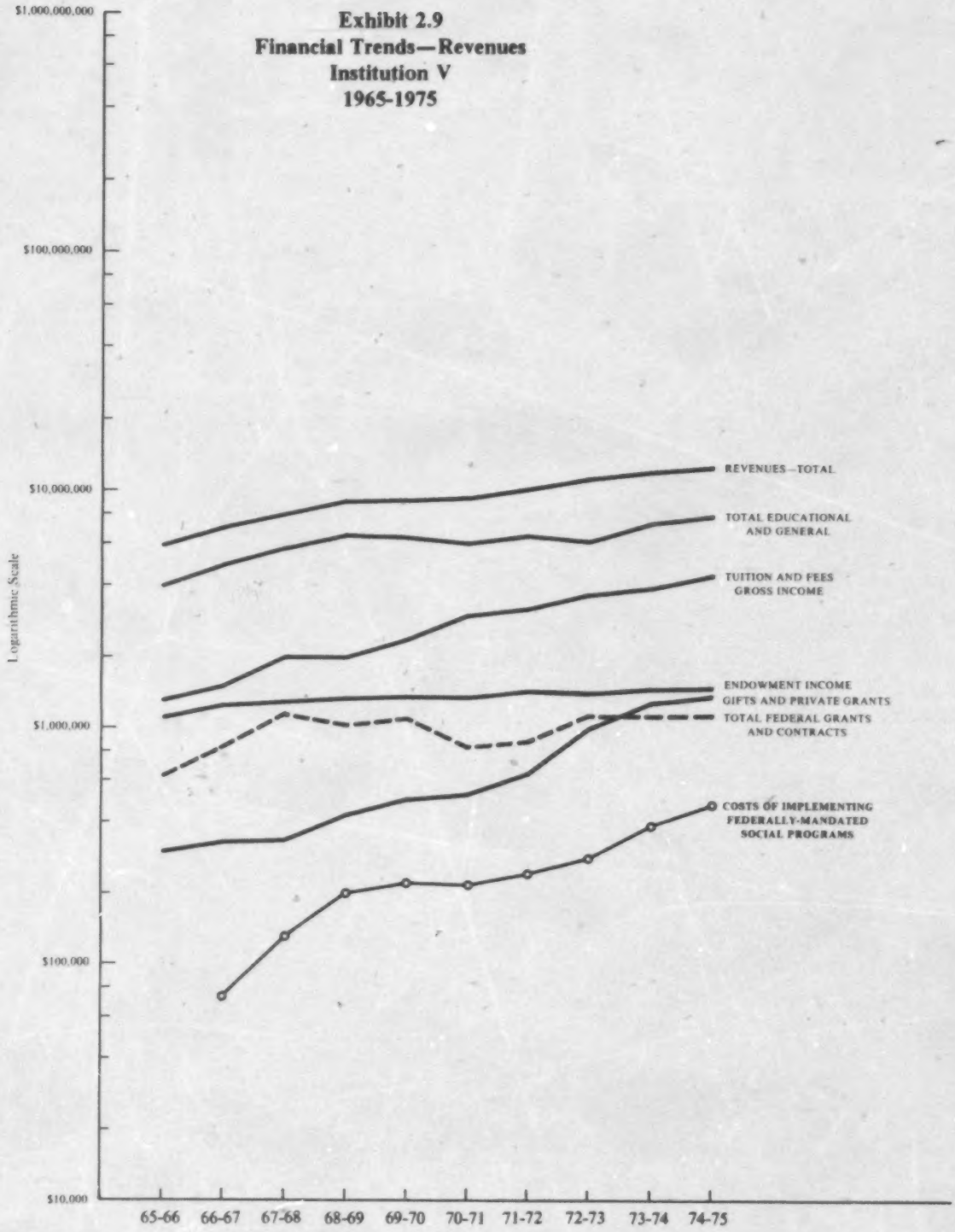
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975

Exhibit 2.8
Financial Trends—Expenditures
Institution IV
1965-1975



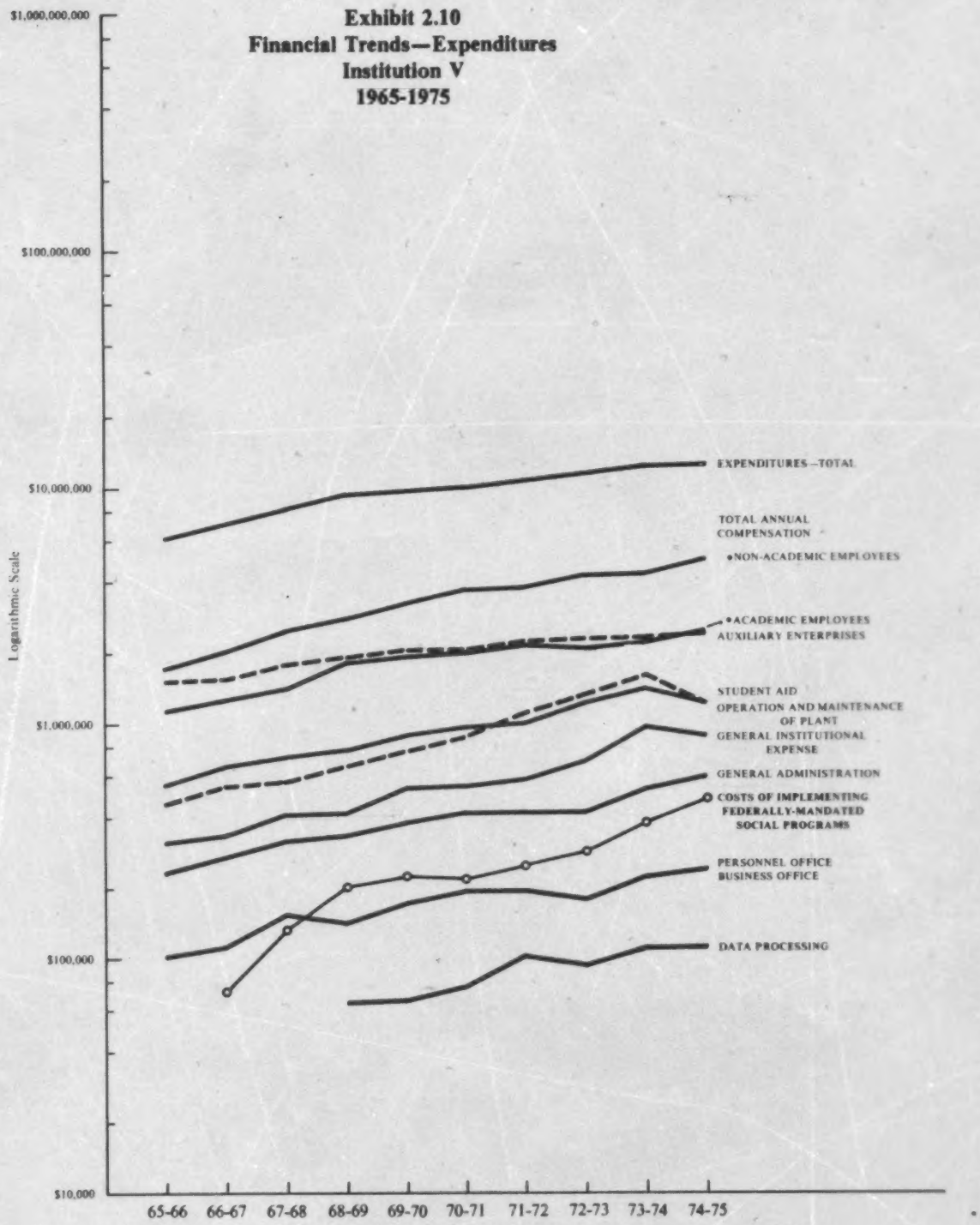
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.9
Financial Trends—Revenues
Institution V
1965-1975



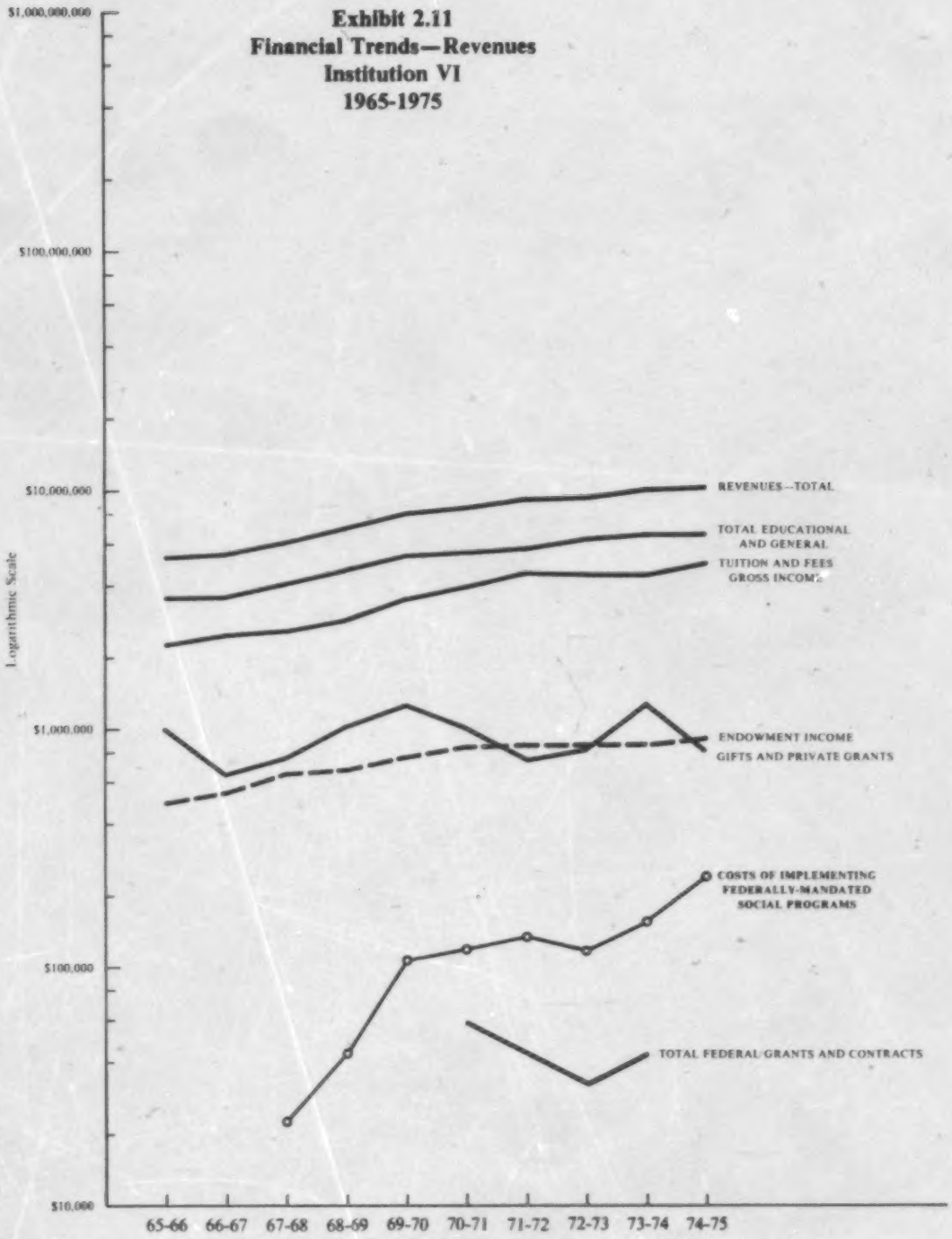
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.10
Financial Trends—Expenditures
Institution V
1965-1975



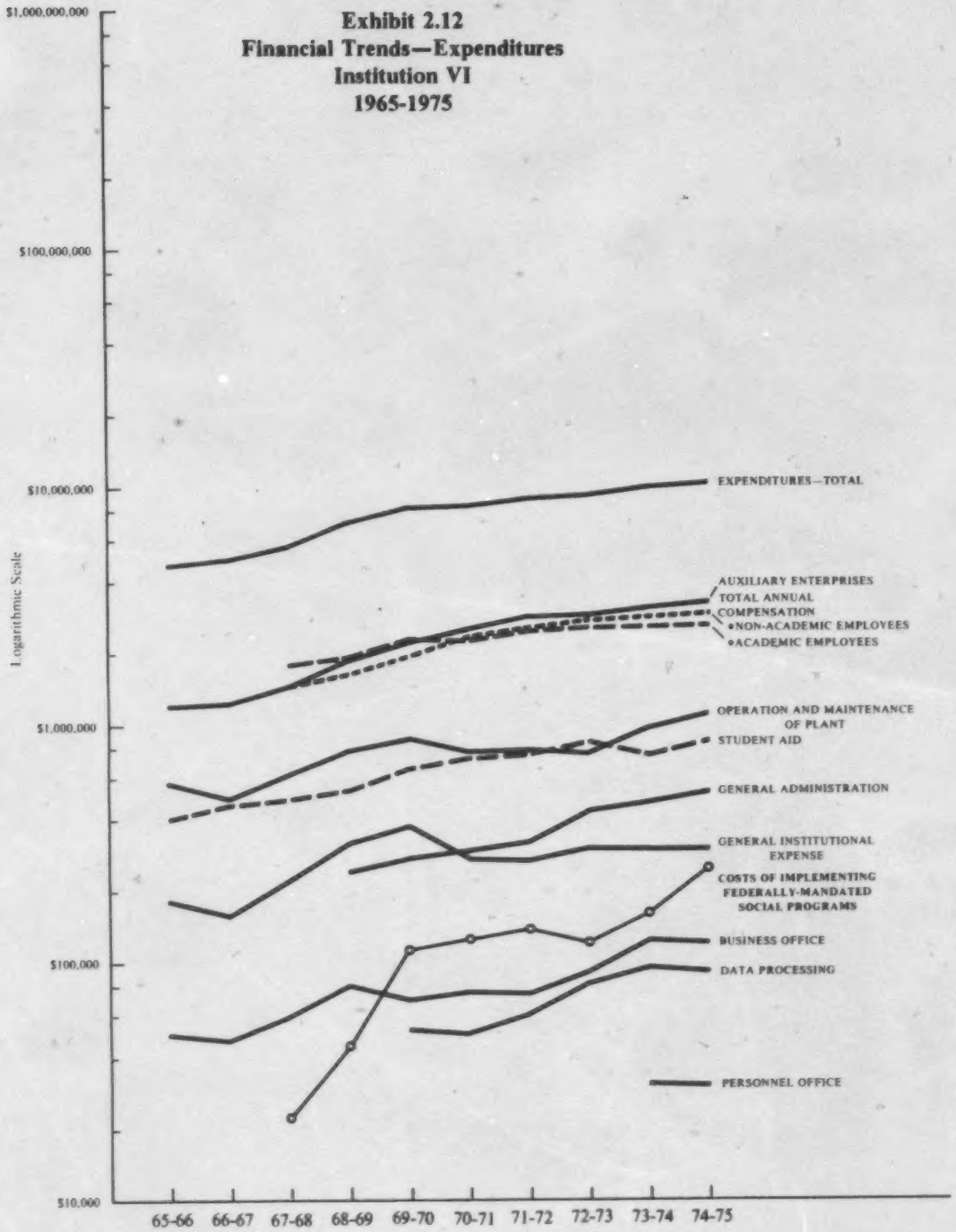
Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.11
Financial Trends—Revenues
Institution VI
1965-1975



Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 2.12
Financial Trends—Expenditures
Institution VI
1965-1975



Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 3. Costs per Student of Implementing Federally Mandated Social Programs

The costs of the social programs are not generally incurred on a per-student basis. Moreover, funds to cover the added costs are generated in part by curtailing expenditures in some categories as well as by increasing tuition revenues. Yet comparing these costs with student tuition charges gives some indication of their magnitude.

On a per-student basis, the costs of implementing these twelve federally mandated social programs range from $21 to $39 at the two large public institutions, and from $129 to $164 at the two small private institutions. The costs are considerably higher at the two institutions with hospitals, though the per-student cost comparisons are far less meaningful in these instances.

In the aggregate, these social program costs represent the equivalent of 5-18 percent of net tuition revenues at the six institutions. If the increases in the social program costs are compared with the increases in tuition over the decade, they represent the equivalent of 8-19 percent of the tuition increases at the four institutions without hospitals and 17 and 46 percent at the two institutions with hospitals.

Exhibit 3.1
Trends in Costs of Implementing Federally Mandated Social Programs
1965 — 1975
Cost Per Student

Institution	I	II	III	IV	V	VI
Control and Type	Public State University	Public Local Community College	Private University, with Hospital*	Private University, with Hospital*	Private Comprehensive College	Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66	$17	$ –	$ –	$ 16	$ 1	$ –
1966–67	13	–	–	52	30	–
1967–68	6	–	–	81	54	15
1968–69	12	1	58	–	79	28
1969–70	22	7	96	205	78	67
1970–71	27	7	230	–	92	73
1971–72	29	11	201	181 (179)	109	76
1972–73	26	17	331	195 (194)	104	69
1973–74	35	20	470 (432)	239	138	89
1974–75	39	21	451 (426)	356	164	129

Source: American Council on Education, Policy Analysis Service, Data compiled by the Special Costs Study Task Force, Spring 1975.

* Costs are higher because these institutions have teaching hospitals.
Figures in parentheses ( ), show partial removal of hospital costs, but still includes costs not easily separable.

Exhibit 3.2
Federally Mandated Social Program Costs Compared with Net Tuition Revenues 1974-75

	Institutions					
	I	II	III	IV	V	VI
Net tuition revenues, 1974-75	$14,982,000	$9,107,152	$19,709,000	$26,996,000	$4,451,800	$4,920,000
Costs of federally mandated social programs, 1974-75	$ 1,302,545	$ 460,667	$ 3,618,070+	$ 3,603,243	$ 467,493	$ 240,164
Federally mandated social program costs as a proportion of net tuition revenues	9%	5%	18%	13%	11%	5%

Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 3.3
Increases in Costs Per Student of Implementing Federally Mandated Social Programs In Relation To Increases in Tuition 1969-70 to 1974-75

	Institutions					
	I	II	III	IV	V	VI*
Increases in tuition, 1969-70 to 1974-75						
Dollars	$250	$ 75	$780	$900	$880	$828
Percent increase	+102%	+ 25%	+ 39%	+ 51%	+ 50%	+ 27%
Increases in costs per student of implementing federally mandated social programs, 1969-70 to 1974-75						
Dollars	$ 17	$ 14	$355	$151	$ 86	$ 62
Percent increase	+ 76%	+195%	+368%	+ 74%	+110%	+ 93%
Increase in program costs in proportion to tuition increases, 1969-70 to 1974-75	7%	19%	46%	17%	10%	8%

Source: American Council on Education, Policy Analysis Service.
Data compiled by the Special Costs Study Task Force, Spring 1975.

* Unit fee: includes tuition and room and board.

Exhibit 3.4
Trends in Full-Time Undergraduate Tuition Rates
1965 — 1975

Institution	I	II	III	IV	V	VI	
Control and Type	Public State University	Public Local Community College	Private University, with Hospital	Private University, with Hospital	Private Comprehensive College	Private Liberal Arts College	
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's	
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000	
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000	
						Tuition	Tuition, Room and Board
1965–66	$170	$300	$1,437	$1,400	$ 725		
1966–67	170	300	1,437	1,400	725	$1,700	$2,600
1967–68	170	300	1,637	1,650	900	1,800	2,700
1968–69	170	300	1,800	1,750	900	1,800	2,700
1969–70	246	300	2,000	1,750	1,050	2,088	3,063
1970–71	321	300	2,100	2,100	1,320	2,259	3,234
1971–72	396	375	2,300	2,350	1,530		3,621
1972–73	496	375	2,450	2,400	1,530		3,621
1973–74	496	375	2,600	2,500	1,640		3,621
1974–75	496	375	2,780	2,650	1,770		3,891

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 3.5
Trends in Enrollment
1965 — 1975

Institution Control and Type	I Public State University	II Public Local Community College	III Private University, with Hospital	IV Private University, with Hospital	V Private Comprehensive College	VI Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66	26,165	11,081	6,411	6,849	2,055	
1966–67	27,309	14,710	6,776	6,894	2,367	
1967–68	28,651	16,797	6,629 X	6,830 X	2,450	1,545
1968–69	29,870	18,132	6,742 X		2,555	1,558
1969–70	30,666	19,610	6,858	7,019	2,850	1,585
1970–71	31,714	20,866	6,977		2,358 X	1,632
1971–72	30,077 X	22,385	7,198	8,194	2,230 X	1,733
1972–73	31,683 X	19,965 X	7,527	9,269	2,676 X	1,784
1973–74	32,843	22,071 X	7,898	9,736	2,802 X	1,735 X
1974–75	33,142	23,062	8,020	10,115	2,858	1,864

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

Note: "X" indicates enrollment below a previous higher enrollment.

Exhibit 4. Social Security Taxes

Social security differs from many of the other programs included in this cost study because the compliance of participants does not involve any administrative discretion or time-consuming activity in implementing the program. Social security also differs in that the program was enacted prior to 1965. Over the last decade, however, the congressionally legislated increases in tax rate and tax base have been so substantial that the increases in social security taxes alone represent the largest single cost burden of the twelve programs studied.

Recognizing the significant magnitude of social security costs, the study staff made a special effort to detail the social security tax estimates so as to facilitate presentation of the aggregate social program cost data, both including and excluding social security taxes.

This exhibit describes the method of calculating the increment in social security taxes and quantifies the cost impact at the six Task Force institutions. Because administrative costs are negligible, and no discretionary activities are involved, the incremental costs of social security can be calculated solely from the amount of taxes paid.

4.1 Among the Task Force institutions, annual employer contributions to the social security system rose as much as fourfold over the decade 1965 to 1975, because of increases in the tax base and the tax rate as well as increases in the number of staff employed and increases in wages for workers paid less than the tax base. Annual increases in the amount of tax payable sometimes amounted to almost a third of the total paid the previous year, well above the rate of general inflation Some of the Task Force institutions reported their contributions on a calendar-year basis, but to facilitate calculations, these amounts are reported here by academic/fiscal year (e.g., 1974 data is reported as 1973-1974).

4.2 Increments to social security costs were calculated, using as the base year either 1965-66 or the first year for which data were readily available at the Task Force institutions. Institutions II, IV, and VI also provided data on the average annual number of covered employees. Therefore the increments for these institutions have been calculated more conservatively by removing the effects of increases in the number of employees on increments in total taxes paid.

4.3 This chart shows how the average annual increase per employee was calculated and then aggregated to determine the total annual cost increases resulting from increases in the tax rate, tax base, and increases in wages to lower-paid workers. Note the annual per-employee percentage increases in employer contributions have never been lower than 4 percent and have ranged as high as 30 percent during the last ten years.

4.4 This graph shows the rising magnitudes of the increases in social security contributions over the last decade, as compared with the first 30 years of the social security program.

4.5 Social security taxes amounted to 31 percent of total federal budget receipts in 1975, up from 10 percent in 1950 and 19 percent in 1965. Conversely, corporate income taxes fell from 25 percent in 1950, to 22 percent in 1965, to 15 percent in 1975. Individual income taxes remained at roughly 40–45 percent of total federal receipts.

Exhibit 4.1
Social Security Total Annual Employer Contributions
1965 — 1975

Institution Control and Type	I Public State University	II Public Local Community College	III Private University, with Hospital	IV Private University, with Hospital	V Private Comprehensive College	VI Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66				$ 543,867	$ 91,776	$ 72,771
1966–67	None,			727,275	129,931	92,850
1967–68	employees	$136,021	$1,461,542	829,535	160,744	104,752
1968–69		187,697	1,853,087	976,307	201,126	126,764
1969–70	covered	235,391	2,123,101	1,078,015	220,726	135,407
1970–71	by state	504,152	2,451,900	1,276,436	215,311	155,175
1971–72		622,050	2,288,130	1,479,481	240,093	168,732
1972–73	retirement	810,308	3,605,182	1,831,762	272,365	192,766
1973–74	system.	959,073	4,213,792	2,119,273	330,805	226,156
1974–75				2,457,000	392,992	255,154

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

Note: These are total annual costs of social security as distinguished from the incremental costs shown in Exhibit 4.2. Only the incremental costs of social security are aggregated in the costs of federally mandated social programs reported in this study.

Exhibit 4.2
Increase in Employers Social Security Contribution
Due To Increased Tax Rate and Tax Base Over Base Year
1965 —1975

Institution Control and Type	I Public State University	II Public Local* Community College	III Private University, with Hospital	IV Private University, with Hospital	V Private Comprehensive College	VI Private Liberal Arts College
Highest Degree Offered	Doctorate	Associate	Doctorate	Doctorate	Master's	Master's
FTE Enrollment, 1974-75	33,000	23,000	8,000	10,000	3,000	2,000
Expenditures, 1974-75	$213,000,000	$44,500,000	$160,000,000	$86,000,000	$12,500,000	$10,500,000
1965–66	None, employees covered by state retirement system.	Base Year	Base Year	Base Year	Base Year	Base Year
1966–67		$ 24,304	$ 391,545	$ 166,152	$ 38,155	$ 15,708
1967–68		58,064	661,559	242,190	68,968	22,736
1968–69		52,577	990,338	278,462	109,350	43,136
1969–70		124,397	826,568	348,752	128,950	47,344
1970–71		201,881	2,143,620	599,016	123,535	67,332
1971–72		299,303	2,752,230	726,591	148,317	89,486
1972–73		299,303+	2,752,230+	1,038,079	180,589	89,486
1973–74				1,324,170	239,029	115,501
1974–75				1,663,670	301,216	152,293

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

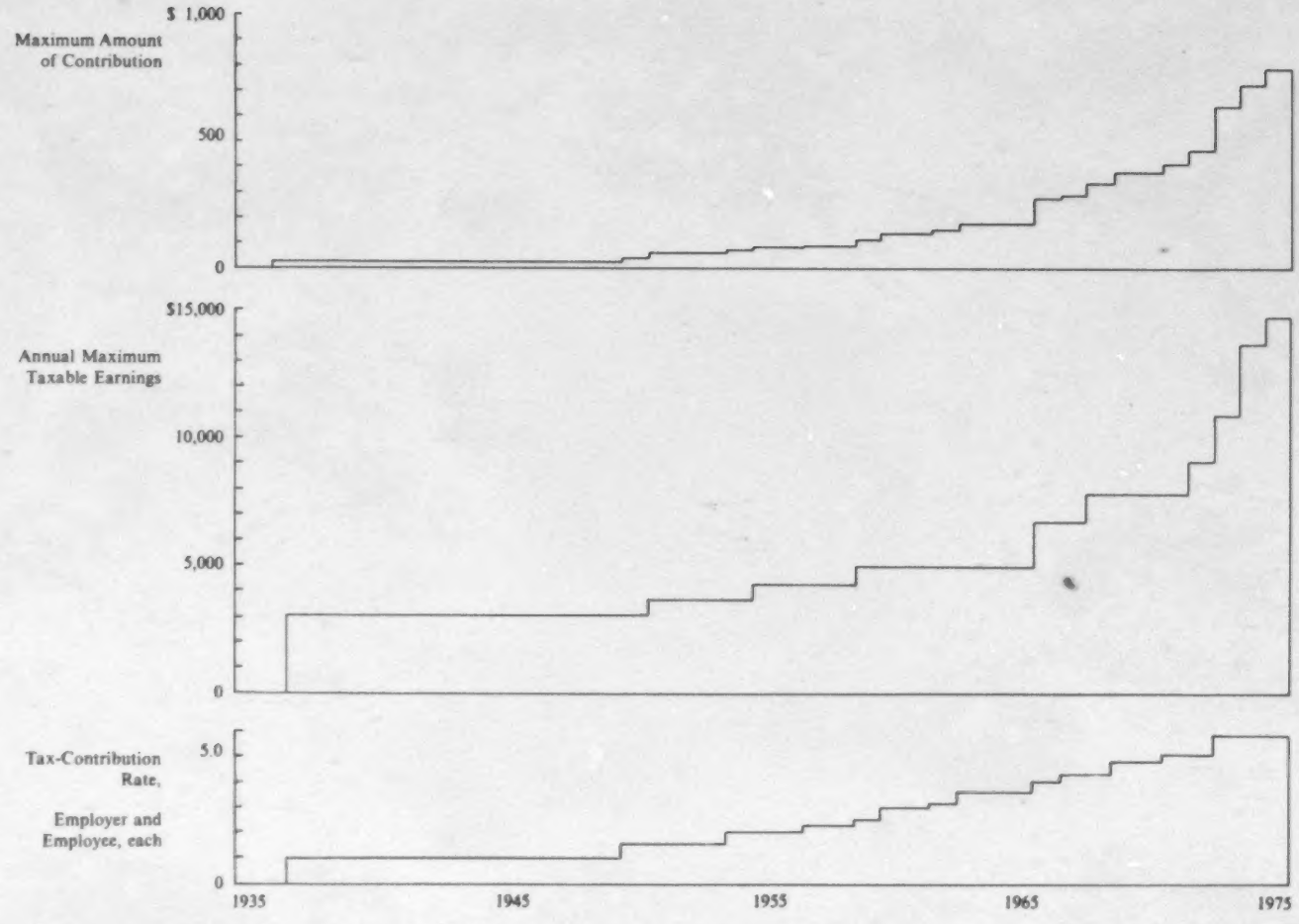
* Instructors became eligible for voluntary coverage in 1970. Prior to 1970, only noninstructional employees were covered by the Social Security System.

Exhibit 4.3
Computation of Social Security Employer Contributions
Example: Private University

Fiscal Year	Employer's Share of FICA	Average Number of Employees	Annual Percent Increase in Average Contribution	Average Contribution Per Employee	Annual Increase Per Employee	Net Total Annual Increase (B x E)
	A	B	C	D	E	F
1965–66	$ 543,867	3,757	–	$145	–	$ –
1966–67	727,275	3,864	29.6	188	$43	166,152
1967–68	829,535	4,002	10.1	207	19	76,038
1968–69	976,307	4,534	3.9	215	8	36,272
1969–70	1,078,015	4,686	7.0	230	15	70,290
1970–71	1,276,436	4,469	24.3	286	56	250,264
1971–72	1,479,481	4,725	9.4	313	27	127,575
1972–73	1,831,762	4,847	20.8	378	64	311,488
1973–74	2,119,273	4,849	15.6	437	59	286,091
1974–75	2,457,000	4,850	16.0	507	70	339,500
Percent Increase 1965-66 to 1974-75	350%	29%	–	250%	–	–

Source: American Council on Education, Policy Analysis Service. Data compiled by the Special Costs Study Task Force, Spring 1975.

Exhibit 4.4
Social Security Tax Growth



Source: Social Security Administration

Exhibit 4.5
Federal Budget Receipts by Source
Fiscal Years 1950, 1960, 1965, 1970, and 1975
(Dollars shown in billions)

	1950		1960		1965		1970		1975	
Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Individual income taxes	$15.7	38.4%	$40.7	44.0%	$ 48.8	41.7%	$ 90.4	46.7%	$122.4	43.6%
Corporation income taxes	10.4	25.4	21.5	23.2	25.5	21.8	32.8	16.9	40.6	14.5
Social insurance taxes	4.0	9.8	14.7	15.9	22.3	19.0	45.3	23.4	86.4	30.7
Excise taxes	7.5	18.3	11.7	12.6	14.6	12.5	15.7	8.1	16.6	5.9
All other	3.3	8.1	3.9	4.2	5.8	5.0	9.5	4.9	15.0	5.3
Total	$40.9	100.0%	$92.5	100.0%	$117.0	100.0%	$193.7	100.0%	$281.0	100.0%

Sources: Barry M. Blechman, Edward M. Gramlich and Robert W. Hartman, **Setting National Priorities, The 1975 Budget** (Washington: The Brookings Institution, 1974), p. 7.

The Budget of the United States Government, Fiscal Year 1975, pp. 322-323, and **Fiscal Year 1977**, pp. 324-326.

Edward R. Fried, Alice M. Rivlin, Charles L. Schultze, Nancy H. Teeters, **Setting National Priorities, The 1974 Budget** (Washington: The Brookings Institution, 1973), p. 7.

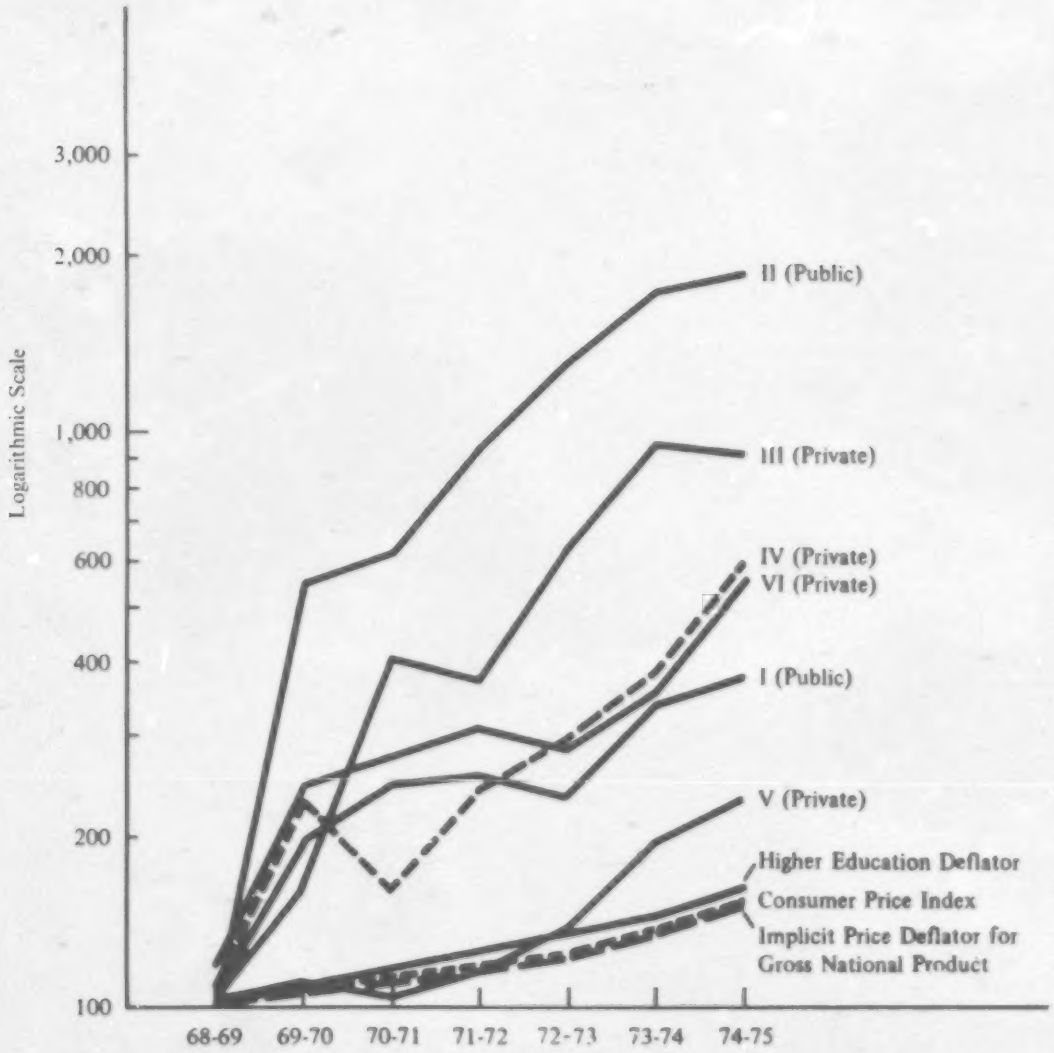
Exhibit 5. Rates of Increase in Costs of Implementing Federally Mandated Social Programs Compared with Selected Cost Indexes

Cost data were collected over the decade 1965 to 1975. Underreporting of costs in the earlier years, however, would overstate the rates of increases in the costs. Consequently, these comparisons of rates of increase are computed for the last five years only.

From 1968-69 to 1974-75, the social program cost increases at all six Task Force institutions were markedly greater than those shown in comprehensive cost indexes. Even though these social program costs currently represent a small proportion of aggregate costs, they should be adequately reflected in the construction of higher education cost indexes.

Exhibit 5
Rates of Increase in Costs of Implementing Federally Mandated Social Programs Compared with Selected Cost Indexes

Index: 1968 = 100



Sources: American Council on Education, Policy Analysis Service based on information from **Economic Report of the President** (February 1974).

Economic Indicators (Council of Economic Advisors, July 1974) derived from calendar-year figures; U.S. Office of Education, Kent Halstead, 1974.

Data compiled by the American Council on Education, Policy Analysis Service, Special Costs Study Task Force, Spring 1975.

Notes: 1. 1974-1975 points for indexes are projections.

2. Interpretation of the rates of cost increase should take into consideration possible differences in stages of program implementation at the various institutions.

Expressions of concern about the costs of federally mandated social programs have come from many people in the higher education community; several of the most widely reported commentaries are listed below:

Stephen K. Bailey, Vice President, American Council on Education
"External Forces Affecting Higher Education," address before the National Association of College and University Business Officers annual meeting, July 10, 1975, as reported in NACUBO **Professional File,** August 1975.

Derek C. Bok, President, Harvard University
"Government Regulation of Higher Education," **The President's Report, 1974-1975,** Harvard University.

Kingman Brewster, Jr., President, Yale University
"The Constitution is Dead, Long Live the Constitution," address before the Fellows of the American Bar Foundation, annual dinner, Chicago, Illinois, February 22, 1975, as reported in the **Report of the President,** Yale 1974-75.

Dale R. Corson, President, Cornell University
Remarks at the German-American Seminar Conference on Higher Education, September 30, 1975.

Robert L. Gale, Executive Director, Association of Governing Boards
"The Washington Paper Storm," **The AGB Reports,** September-October, 1975.

Charles B. Saunders, Director, Office of Governmental Relations, American Council on Education
"Association View of Federal Impact on Education," address before the National Association of College and University Business Officers, annual meeting, New Orleans, Louisiana, July 11, 1975, as published in **Educational Record,** Volume 56, Number 2, 1975.

Subcommittee on Education of the Committee on Labor and Public Welfare, U.S. Senate, 93rd Congress Second Session
Higher Education Oversight, 1974: Hearings on the Financial Plight, the Stability and Conditions of Higher Education Institutions, November 1974. Statements by:
Richard R. Bond, President, University of Northern Colorado
Dale R. Corson, President, Cornell University
Reverend James Finlay, S.J., President, Fordham University
Keith Spaulding, President, Franklin and Marshall College